Austria	Sch26	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.650	Iran	Rls210	Philippines	Peso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR9.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,500	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM2.20	Morocco	MDh10	Switz	SFr2.70
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.800
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Wednesday November 27 1991

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COMMODITIES

Iran seeks growth of minerals wealth

Page 27

World News

Kenya arrests ex-minister over murder of colleague

Kenyan police said they had arrested former industry minister Nicholas Biwott, a close aide of President Daniel arap Moi, in connection with the murder 20 months ago of foreign minister Robert Ouko. Page 16

UN split on Yugoslavia

The UN was divided as the Security Council met to prepare a resolution on civil war in Yugoslavia, but there was unanimity that no peace-keeping troops would be sent until there was a lasting ceasefire. *Page 16*

US refuses PLO visas

The US said it would not issue entry visas to PLO members to advise Palestinians in proposed Middle East peace talks in Washington next week.

Azerbaijan takeover

Parliament in the Soviet republic of Azerbaijan decided to abolish the autonomous status of the disputed territory of Nagorno-Karabakh, also claimed by Armenia.

Police force 'excessive'

South African police who killed 12 blacks while breaking up an African National Congress protest used excessive force, the Rand Supreme Court ruled. Page 4

Yeltsin sets terms

Russian president Boris Yeltsin appears determined to dictate the terms of a new treaty to preserve union among Soviet republics. Page 2

Boost for Walesa

Poland's government won a stay of execution when parliament delayed voting on its resignation in a conciliatory gesture to *President Lech Walesa.*

Asil Nadir bankrupt

Asil Nadir, chairman and former chief executive of Polly Peck International, the collapsed fruit-to-electronics group, was declared bankrupt in London. Page 8

Spycatcher gag wrong

The UK government was found guilty of breaching the European Convention on Human Rights in attempting to ban the press from publishing extracts from Spycatcher, the memoirs of a former intelligence officer. Page 7; editorial comment, page 14

Drift nets banned

Japan approved a moratorium on drift net fishing on the high seas by the end of next year, following a compromise agreement with the US at the United Nations. Page 27

Ex-CIA man indicted

Former top CIA official Duane Clarridge was indicted in Washington on seven felony charges stemming from the sale of missiles to Iran.

Air crash kills 37

Thirty-seven people were killed when a Soviet Antonov-24 airliner crashed while landing at Bugulma airport in the Soviet republic of Tatarstan.

Mafia sentences

A Sicilian court sentenced 14 Mafia gangsters to between five and 11 years in jail each in a rare extortion trial in which businessmen gave evidence against them.

Two-day curfew

Nigeria ordered the entire population confined to their homes until tomorrow night and closed its frontiers to facilitate a national census. Page 4

Seven die in factory

Seven workers were killed and eight others injured in a factory explosion at Rosiorii de Vede in south-east Romania.

Klaus Kinski dies

Klaus Kinski, the Polish-born Hollywood actor, died in California, aged 65. He was father of actress Nastassja Kinski.

Business Summary

EC poised to clear French bank stake in steel maker

The European Commission is almost certain to approve the FFr2.5bn ($460m) purchase by Crédit Lyonnais of a 10 per cent stake in Usinor Sacilor, French state-owned steel maker, on the grounds that it is not a form of disguised state aid.

The decision will upset private-sector steel makers such as British Steel which fears that publicly owned steel producers could resort to covert subsidies. Page 16

AIRLINE industry: The European Commission will try to force British Airways, Air France, Alitalia, Scandinavian Airlines System and Olympic of Greece to cut business class fares between the UK and several European cities. Page 16

JAPAN'S ruling Liberal Democratic Party has approved the establishment of an agency to oversee financial institutions in an attempt to prevent a repeat of this year's scandals. The proposed Securities and Banking Industry Inspection Commission will be responsible to the finance minister, who will appoint the body's three commissioners. Page 4

CONTINENTAL, German tyre group, warned it would report a "significant loss" for 1991 after taking into account the DM100m ($63.2m) cost of closing its Canadian plant and setting up a reserve for future restructuring. Page 17

US BANKS: Congress moved towards agreement on a banking bill which will provide new funding for the almost-empty deposit insurance fund, but which will not broaden the areas of business that banks may enter. Page 6

SIEMENS, German electrical and electronics company, has won the race to acquire control of the energy division of Skoda Koncern, Pilsen, Czechoslovakia's main producer of nuclear and conventional energy generating plants. Page 18

INTERNATIONAL Business Machines is to reshape its worldwide operations by splitting into an organisation of increasingly independent companies and business units. The reorganisation "will lead over time to a fundamental redefinition of how IBM does business", according John Akers, *chairman*. Page 17

TOURANG, consortium formed by Kerry Packer and Conrad Black to bid for Australia's Fairfax newspaper group, appears likely to face an inquiry by the Australian Broadcasting Tribunal, which says it has "important new information". Page 20

MOLINS, UK-based precision engineering group, finally shook off its predator Leucadia National, US financial conglomerate, which has sold its 48.4 per cent stake. Page 17

ACCOR, French hotels group, escaped a BFr100m ($3m) fine by answering questions from disgruntled shareholders about its bid for Wagons-Lits before the expiration of a court deadline. Page 18

TOSHIBA, Japanese electronics group, saw worldwide net profits slide 62.7 per cent in the first half to Y26.42bn ($208m) because of sluggish markets. Page 20

RUSSIA aims to sell off 70 per cent of state property over the next decade, according to the deputy chairman of the privatisation committee. Page 2

ANGLO UNITED, UK fuel distribution group, wants to sell The Falkland Islands Company and associated businesses on the south Atlantic islands. Page 17

CHINA Steel, Taiwanese state-run steel group, announced it would invest about T$1bn ($39m) in Taiwan Aerospace, which is negotiating to buy a stake in McDonnell Douglas, US aircraft maker. Page 20

Economic fears hit US consumer confidence

A PLUNGE in consumer confidence and an opinion poll showing that only 25 per cent of Americans approve of President George Bush's economic stewardship yesterday signalled growing public anxiety about the economy, writes Michael Prowse in Washington.

Consumer confidence has fallen below both the trough reached in the Gulf war and the lowest point registered in the deep recession of the early 1980s, the Conference Board, a New York business analysis group, said.

The board's index, which gives advance warning of consumers' willingness to buy goods, has fallen sharply for two months running and stands at 50.6, against 60.1 in October and 101.7 when the recession began in July 1990. The figures unsettled an already nervous stockmarket in early trading. However, at the close, the Dow Jones Industrial Average was up 14.08 at 2,916.14, buoyed by the news of restructuring at IBM.

"This is the classic profile of recession," said Mr Fabian Linden, director of the board's consumer research centre. The plunge in confidence had cut "across all segments of the population – all age groups, all income brackets, and all regions of the country".

A New York Times-CBS poll yesterday showed Mr Bush's overall approval rating at 51 per cent, 16 percentage points lower than in mid-October. Mr Bush's approval rating on the economy fell 8 points to 25 per cent, the lowest level since President Jimmy Carter's administration was rocked by double-digit inflation.

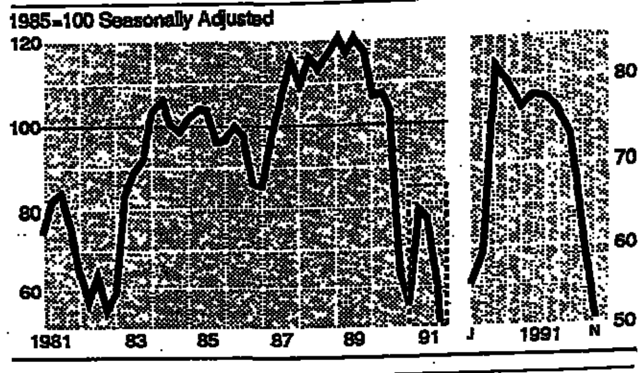
Support for Mr Bush fell sharply among the poor, middle income voters, and "baby-boomers" aged 30 to 44 – the sections of the population seen as under the greatest economic strain. He ruled out immediate measures to stimulate the economy but is expected to unveil a "growth package" of incentives in his State of the Union Address in January.

Yesterday Mr Bush said he was "enthusiastic" about a package of tax cuts sponsored by congressional Republicans that supporters say respects the terms of last year's budget

Continued on Page 16

Democrats attack, Page 6
World stocks, Back page, Section II

US consumer confidence index



Christian Democrat leaders plan Maastricht strategy

Major to be offered trade-off

By David Buchan and David Gardner in Brussels

LEADERS of six European Community countries which originally set the timetable for economic and monetary union met last night to plan a compromise offer to Britain which might include dropping references to a "federal goal" for Europe from the draft political union treaty due to be signed at the Maastricht summit.

In return, Britain would be asked to agree that important areas of policy such as foreign affairs and immigration, would be reviewed in 1996 with the explicit intention of bringing them under EC control.

According to officials from *Germany and Italy, Chancellor* Helmut Kohl and Mr Giulio Andreotti, the Italian prime minister, were preparing to offer the new deal to Britain at separate meetings with Mr John Major, the British prime minister, today in an effort to ensure success at Maastricht.

The six EC leaders, all leaders of European Christian Democrat parties, met last night near Brussels.

In addition to Mr Kohl and Mr Andreotti, they included Mr Ruud Lubbers, the Dutch prime minister who is the current president of the EC, and his Dutch, Luxembourg and Greek counterparts, Mr Wilfried Martens, Mr Jacques Santer and Mr Constantine Mitsotakis. They form by far the most important party political cabal within the Community.

- **Countdown to Maastricht; Immigration accord begins to take shape; Unions fire warning shot.......... Page 2**
- **UK opposition rejects referendum on EC; Major to outline British problems on Emu.......................Page 7**

It was a similar meeting of Christian Democrat leaders in October 1990 that effectively set the timetable for Emu, endorsed at the Rome summit later that month. Mrs Margaret Thatcher, then the British prime minister, was caught unawares – and isolated – by *what she saw as an ambush by* the Christian Democrat group.

The European Commission is due to issue its final verdict on the Maastricht draft today. Its president, Mr Jacques Delors, yesterday indicated this would not be a diatribe against anti-federalist aspects of the planned treaty. "The time has come for the Commission to bring member states closer together, and to keep open minds and open ears," he told a press conference.

The latest version of the

Continued on Page 16

Clockwise from top left: Ruud Lubbers, Giulio Andreotti, Helmut Kohl, Jacques Santer, Constantin Mitsotakis and Wilfried Martens

Sterling weak as funds flow from dollar to D-mark

By Peter Marsh and Jim McCallum in London, Ian Davidson in Paris and Robert Taylor in Stockholm

STERLING remained under pressure yesterday as the D-Mark gained in strength and the dollar weakened, causing further tension in the European Monetary System.

In spite of modest intervention by the Bank of England to support the pound, sterling fell by three-quarters of a pfennig to close at DM2.8400, within 2 pfennigs of its effective floor in the EMS's exchange rate mechanism (ERM).

The D-Mark's strength caused pressure on several other of the weaker currencies in the system, notably the Danish krona and the French franc, and forced actions to defend their currencies by the monetary authorities in Portgual and Sweden.

The Portuguese escudo and the Swedish krona are not part of the ERM but are linked to it *informally*.

The fluctuations came after several days of turmoil in currency markets, partly caused by nervousness in the run-up to the European Community's summit on political, economic and monetary union in Maastricht next month.

The unease has been magnified by continued expectations that the German Bundesbank might raise interest rates soon, in order to dampen German inflation.

Such a move would make the D-Mark more attractive to foreign-exchange investors, *exacerbating tensions within* the EMS.

Sterling's weakness yesterday was due largely to a flow of funds out of the dollar and into the D-Mark, caused by the release of statistics showing extremely weak levels of US consumer confidence. The US currency finished in London at DM1.5805, down slightly on Monday's close but more than 1¼ pfennigs down on the day's high.

- **London stock market report......................Page 29**
- **Currencies..............Page 36**
- **World stock markets ....Back Page, Section II**

Publication of the US data wiped out the effect earlier in the day of comments by Mr Jürgen Möllemann, Germany's economics minister, and Mr Pierre Bérégovoy, the French finance minister.

Both ministers had suggested that an imminent increase in German interest rates was unlikely.

Speaking in London, Mr Möllemann *said he saw German* interest rates remaining static, and hoped they would go down next year, while Mr Bérégovoy said there was "no reason for the Bundesbank to raise its interest rates".

Immediately after these remarks, currency dealers bought dollars and pounds, pushing sterling just above DM2.85. This ground was lost with the publication of the US consumer indicators, an event which also depressed the stock markets in London and New York.

In London, the FT-SE 100 *index of leading shares closed* below the day's highs at 2,471.5, up 15.3, while on Wall Street the Dow Jones Industrial Average fell back in early trading but ended up 14.08 points at 2,916.14.

Bayer chairman warns Bonn against excessive regulations

By Paul Abrahams in Leverkusen

THE GERMAN government was warned yesterday that increasingly arduous regulation was making the country an uneconomical location for chemical companies.

Mr Hermann Strenger, chairman of Bayer, the chemical group, criticised separate government proposals to tax industrial emissions and control state expenditure on medicines.

He said the moves could force German chemical groups to switch investment abroad. Bayer itself planned to increase from the present 45 per cent the proportion of its capital investment it makes outside Germany, Mr Strenger said.

Additional costs risked stretching the German chemical industry beyond its limits, he said.

Mr Strenger appealed to the government not to turn the screw of additional financial burdens too tightly. "What we urgently need is a break from the increasing demand of federal environmental policy – a consolidation phase after the flood of laws and regulations," he said.

"I want to underline the fact that we cannot compete successfully against intense global competition and lead the field in international environmental policy while at the same time shouldering the burden of constantly rising levies."

If present environmental proposals to tax carbon dioxide emissions and solid waste were implemented, it would no longer be economical to manufacture inorganic pigments, such as titanium dioxide, and organic intermediates in Germany, Mr Strenger said.

He was also not convinced that the taxes would be used by the government as a deterrent rather than merely an additional form of revenue.

By the end of the century, Bayer could be spending as much as DM1bn ($600m) a year to cover environmental costs, Mr Strenger said. Over the last four years, the company had spent DM1.7bn on environmental measures in Germany alone.

Production, investment and employment could be diverted from Germany to alternative locations with high environmental standards but without such fiscal deterrents.

Mr Strenger also criticised proposals to reform government expenditure on drugs. He said chemical companies needed to make sufficient return on pharmaceuticals to compensate for high research development costs.

The pharmaceutical sector is one of the few profitable areas in the chemical industry which is struggling to cope with the slowdown in the world economy.

- **CBI conference on Germany.........................Page 2**
- **Former UK cabinet minister Peter Walker to work for Treuhand ....Page 8**
- **Bayer third quarter results ....Page 17**

CONTENTS

Turkish politics: Tansu Ciller, the new economics minister, faces a tough task 2
US politics: Democrats push the "America First" message 6
Editorial Comment: Spycatcher; UK revenue support grant 14
Business ethics: The adoption of corporate codes of behaviour is on the increase 12
World trade: The Uruguay Round and US business 3
Crime in the Punjab: Ludhiana has a growth industry in kidnap threats and ransom 4
Survey: West Yorkshire's prospects in the single market 9-11

International	2,4	Law	24	Gold	27	Stock Markets	
Companies	19-22	Arts Guide + Reviews	13	Int. Capital Markets	22	-World	37
America	6	Commodities	27	Letters	15	-London	29
Companies	28	Crossword	38	Lex	18	Business/Environment	28
World Trade	3	Currencies & money	38	Edward Mortimer	15	Unit Trusts	32-35
Britain	7,8	Editorial Comment	14	Management	12	World Index	40
Companies	23,25	Financial Futures	36	Observer	14		

The business connections of Moi's right-hand man

Nicholas Biwott, arrested yesterday in connection with murder, faces questions over the probity of several multi-million dollar projects commissioned during his 10-year stint as Kenyan energy minister
Page 4

MARKETS

STERLING
New York close
$1.774 (1.796)
London:
$1.797 (1.7995)
DM2.84 (2.8475)
FFr9.705 (9.74)
SFr2.52 (2.535)
Y230.25 (230.0)
£ index 90.5 (90.6)

GOLD
New York Comex Dec
$356.3 (358.3)
London:
$356.8 (359.0)

N SEA OIL (Argus)
Brent 15-day Jan
$19.90 (20.00)

Chief price changes yesterday Page 17

DOLLAR
New York close
DM1.611 (1.584)
FFr5.502 (5.411)
SFr1.425 (1.4086)
Y130.1 (127.85)
London:
DM1.5805 (1.583)
FFr5.40 (5.4125)
SFr1.402 (1.4065)
Y128.15 (127.75)
$ index 62.4 (same)
Tokyo close: Y128.3

US closing rates
Fed Funds 4$\frac{11}{16}$% (4$\frac{13}{16}$)
3-mo Treasury Bills:
4.549% (4.532)
Long Bond:
100$\frac{7}{32}$ (100$\frac{5}{32}$)
yield: 7.945% (7.967)

STOCK INDICES
FT-SE 100:
2,471.5 (+15.3)
FT-A All-Share:
1,192.58 (+0.6%)
FT-SE Eurotrack 100:
1,071.48 (+10.81)
New York close
DJ Ind. Av.
2,916.14 (+14.08)
S&P Comp
377.96 (+2.62)
Tokyo: Nikkei
23,112.09 (+243.4)

LONDON MONEY
3-month interbank:
10$\frac{7}{16}$% (10$\frac{5}{8}$%)
Liffe long gilt future:
Dec 93$\frac{11}{32}$ (93$\frac{5}{32}$)

Unions fire warning shot over EC treaty

By Andrew Hill in Brussels and David Goodhart in London

THE European Trade Union Confederation yesterday threatened a campaign of industrial action if Community leaders water down the existing draft treaty on political union to meet British objections at next month's Maastricht summit. The ETUC represents all the main EC trade union bodies.

Mr Ruud Lubbers, the Dutch prime minister, said on Monday that the social policy provisions of the current draft might be more closely defined to decide which measures could be decided by unanimity. Britain opposes any extension of qualified majority voting to EC labour regulation.

Mr Emilio Gabaglio, ETUC general secretary, said yesterday the latest draft on social policy in the treaty (which could include working hours, part-time work and many other areas of employment law) was the minimum the unions could accept. He claimed all member states except Britain were happy with the Dutch text.

COUNTDOWN TO MAASTRICHT

"If Britain's Conservative government isn't ready to follow, then an opt-out clause in the social area will have to be considered for Britain. But the others must stick to the Dutch text," he said.

Mr Gabaglio – who will meet Mr Lubbers in Amsterdam on December 5 to discuss the social policy proposals – said the unions would be prepared to put pressure on national parliaments to throw out a diluted treaty. He could not rule out anything, including a call for Community-wide strike action, but said the choice of response would depend on the situation.

Mr Norman Willis, head of the British TUC and current ETUC president, also described the current social policy text as a reasonable compromise but added that "levelling up pay across the Community" remained a longer term goal.

However, strong resistance from employers came yesterday from Mr Zygmunt Tyszkiewicz, head of Unice, the European employers' body. He said in London that the "bottom line" for European business in the EC social policy debate was the removal from the qualified majority voting category of the general clause "working conditions" and the clause "information and consultation of workers".

Mr Tyszkiewicz said that Unice could accept health and safety matters, equality issues and "integration of people excluded from the labour market" being dealt with by qualified majority.

Maastricht's "anti-graffiti" van on its rounds before the EC summit on December 9 and 10. The anti-graffiti van, the first of its kind in the Netherlands, has been on the road since mid-September, writes Ronald van de Krol. The project is a city-subsidised job creation scheme for the long-term unemployed and will continue long after the 12 European government leaders, their delegations, and more than 1,500 journalists and photographers leave the Dutch city.

The van and its three-man team concentrate on public buildings and those owned by non-profit organisations. The city has asked them to give special attention to racist, discriminatory or sexist slogans. Later, companies and home owners will be able to call a special number and have the van remove graffiti – for a fee – from their building.

Ankara's 'Joan of Arc' takes up the sword

John Murray Brown on the woman charged with reviving Turkey's economy

'TURKEY'S Joan of Arc' is how one magazine this week depicted Mrs Tansu Ciller, the country's new economics minister.

This 45-year-old Istanbul professor, better known for having forced her husband to assume her own maiden name, will need all of Joan of Arc's fortitude to tackle the problems of inflation and spiralling public deficit.

In Ankara this week, Mr Suleyman Demirel, prime minister and head of the conservative True Path party (DYP) will seek parliament's formal vote of confidence for his newly formed coalition.

Mrs Ciller was a surprise choice to head his economics team. She will oversee the Treasury, the State Planning Organisation, banking reform and state enterprises.

She inherits an economy sliding towards recession. High lending rates at around 120 per cent, and 70 per cent inflation are stifling investment.

Growth is projected at around 2.5 per cent this year compared with 9 per cent in 1990. The picture could have been much worse but for the TL9,000bn ($1.79bn) aid windfall from the Gulf war, which has cut the budget deficit by 20 per cent and reduced the current account deficit which this year is expected to be about $1bn.

Some economists still wonder how much real influence Mrs Ciller will wield. She has no power base in the party, owing her prominence to Mr Demirel's patronage. Moreover she is politically inexperienced.

The Istanbul stock exchange has given its verdict, the index rising more than 10 per cent to the highest level since Iraq invaded Kuwait.

The business community remains more sceptical. "It will be very difficult to bring down interest rates without a radical overhaul of fiscal policy. The biggest worry is she will be too timid," says one western economist.

Mr Demirel suggests the government will adopt a piecemeal approach to economic reform. The programme envisages tax reform, changes in the incentives system and a restructuring of state enterprises.

The programme promises tax exemptions for those on the minimum wage, and a write-off of farmers' debts. However, Mrs Ciller's proposals for raising taxes are less clear.

She can expect opposition from her social democrat coalition partners who remain less than enthusiastic about the market, particularly on issues such privatisation and social spending.

Another factor will be her relations with the top bureaucrats. In particular Mrs Ciller is known to be critical of Mr Rusdu Saracoglu, the central Bank governor, a pivotal figure of the reforms under the outgoing Motherland Party government.

Mrs Ciller was last week canvassing party support within the party to set up a new body to handle monetary policy independent of the bank.

Ultimately the real question mark hangs over Mr Demirel himself. He has a reputation for expedience. In the 1970s he was guiding hand for Turkey's import substitution drive. In 1989 it was his party which opposed the sale of five state cement companies to a French concern.

The extent to which Mr Demirel has become a convert to market economics could determine the success of Turkey's ambitious reform programme.

Immigration accord begins to take shape

A compromise looks possible at Maastricht summit, writes **David Buchan**

IMMIGRATION and judicial matters are a growth area of co-operation among the twelve states of the European Community. Like foreign policy, they are highly sensitive, and have thus been made a separate "pillar", with their own special rules, for the next month's treaty negotiations in Maastricht. Unlike foreign policy, however, they look susceptible to compromise.

That is because 10 states accept the compromise proposed by the Dutch presidency. This would slide one aspect of internal policy – common policy on visas for visiting non-EC citizens – into the Rome Treaty, and allow it to be settled by majority vote in the Council of Ministers and European Parliament.

The rest would remain to be settled by consensus, with the key proviso that the European Commission would have a (non-exclusive) right to propose policies on immigration, asylum, anti-drug/fraud and civil justice co-operation, but not on police, customs and criminal justice co-operation.

Germany and Britain object, though standing at opposite extremes.

Bonn wants more – particularly asylum – brought into the Community fold. Chancellor Helmut Kohl's problem is that his country's constitution requires thorough examination of asylum applications. Germany receives 60 per cent of all such applications in the EC, and, because Mr Kohl cannot get opposition support to tighten the country's asylum régime, he wants a Community-wide policy.

This inevitably would be less generous and, because of EC primacy over national law, would override the German constitution. At Luxembourg in June, Mr Kohl persuaded his EC partners to agree that special immigration and asylum reports should be prepared for Maastricht.

Britain, which wants no Community involvement in domestic affairs, is particularly sensitive to the prospect of the European Court determining immigration matters. Otherwise, however, it has proved surprisingly co-operative, so long as the co-operation is between governments without interference by Eurocrats.

Indeed, with little fanfare, Britain has agreed to a convention "on the crossing of external frontiers". This would have been signed last summer, had Spain not objected to it applying to Gibraltar. It would allow non-EC visitors to travel throughout the Community with one visa issued by a single EC state, and would abolish internal visa requirements for legally resident non-EC nationals. By deciding in principle to recognise each other's visas, the Twelve have put themselves on the road to a common visa policy.

The implication for Britain is intriguing.

The convention's rationale is to make it possible to lift all checks on people crossing internal EC borders by the end of 1992; most states believe this is required by the 1986 Single European Act's commitment to forging an internal market defined as "an area without internal frontiers". Britain has long resisted abolishing border checks, and it is not alone.

> By deciding in principle to recognise each other's visas, EC states have put themselves on the road to a common visa policy.

Denmark, Greece and Ireland have also stood outside the 1990 Schengen free-travel agreement.

That agreement was signed by the other eight states, but is far from being put into effect. only France has ratified it, and the computer system pooling information is not yet set up.

The anti-Schengen front is cracking, however. Greece has asked to be an official observer in the Schengen work. Denmark may have its problem of being part of the Nordic passport union solved by possible Scandinavian entry into the EC before long. Ireland can only realistically act in unison with Britain, with which it has a passport union and through which its main transport links run. Yet yet there is no logic of Britain's joining the external frontiers convention unless it also plans to do away with checks on travellers from within the EC.

The Commission's recommendations would take EC policy several stages further. Its basic philosophy is that the Twelve must be tougher on outsiders to be kinder to those immigrants inside the Community. It suggests:

- Targeting aid at neighbouring countries of emigration. This is already reflected in increased EC assistance to the Mediterranean basin, and to eastern Europe and the Soviet Union. But it concedes that some of the talk about giant waves of migrants may have been designed to extract more money from Brussels.
- Cracking down on illegal immigration. It talks of reviving a proposal to fine EC contractors who employ illegal labour, and of negotiating contracts with neighbouring countries to supply short-term labour. Most illegal immigrants, perhaps as many as 10m, enter legally but then outstay their visas or contracts. Most northern EC states already make airlines financially liable for checking that passengers have the correct entry documents; this liability would be extended to all states signing the external frontiers convention.
- Improving the lot of non-EC citizens legally in one EC state to allow them to travel and work in others. This is not popular with EC governments.
- Implementing a common asylum policy. By the Dublin Convention, signed last year but only ratified by Denmark, the Twelve merely agreed a procedure for deciding which state should consider an asylum-seeker's application, to prevent shopping around for the best deal. They did not agree substantive criteria for granting asylum. The Commission argues that they should now do just that.

This stance, of course, has German support. The Maastricht treaty will not give Mr Kohl all he wants. But he may be able to console himself with an accompanying declaration drafted by the Dutch. This specifies that asylum policy will be top of the list if the Twelve subsequently pass any element of interior policy from inter-governmental on to Community competence.

For his part, Mr John Major, British prime minister, may have to concede at Maastricht some Community involvement in immigration. All the more so, if he bothers to consider the frustration of members of the European Parliament, who at present have no say at all on one of the hottest political issues in European politics.

'Unfair' European barriers condemned

By Robert Mauthner, Diplomatic Editor

THE INCREASING number of "unfair barriers" erected by European countries against asylum-seekers are highlighted in a report* by Amnesty International, the human rights organisation.

It accuses European governments of wanting to wash their hands of their responsibility. They have not done enough to put pressure on those countries from which asylum-seekers were fleeing to stop human rights violations, it says.

Some people, fleeing possible torture, execution or other human rights violations, are now prevented even from boarding aircraft to leave their country because they do not have visas, and can be turned away simply because they did not come from so-called "safe" countries.

"The danger of such 'safe country' lists being influenced by immigration or foreign policy considerations, and not simply by human rights records, is very real and extremely worrying," the report says. In the end people could be sent back to countries where their lives were in danger.

The current asylum crisis has been brought on largely by the fact that governments treat many asylum-seekers in the same way as "illegal" immigrants, and not as people escaping persecution who merit special treatment, according to Amnesty.

It says it has details of dozens of cases of asylum-seekers turned away because of deficient procedures, some of whom have been tortured or ill-treated in custody or on return to their own countries.

Some of the "flaws" in asylum procedures include the fines imposed in the UK on airlines if they carry asylum-seekers from certain countries without visas and the right of Italian border police to turn away asylum-seekers without allowing them to make an asylum claim.

Amnesty says it is extremely concerned about the concept of "safe countries" already in force in some form in Switzerland and Belgium and currently being discussed in Germany and other countries.

The organisation argues that asylum procedures could be both fair and quick if European governments put in place 10 essential principles to ensure that all asylum-seekers obtain a fair hearing. In particular, it recommends the setting up of independent bodies, made up of human rights and refugee law experts, to hear asylum cases.

*"*Europe: Human Rights and the need for a fair asylum policy*", *Amnesty British Section, £1.50.*

NEWS IN BRIEF

Treuhand to be more flexible over sell-offs

THE TREUHAND privatisation agency is to adopt an increasingly flexible approach to the sale of east Germany's former state-owned companies, so as to maintain the pace of privatisation, Mrs Birgit Breuel, the agency's president, said yesterday, writes Charles Leadbeater, Industrial Editor.

Mr Jurgen Möllemann, federal economics minister, and Mr Martin Bangemann, EC industry commissioner, joined Mrs Breuel at a London conference in calling for more British investment. The Treuhand has appointed Mr Peter Walker, a British former cabinet minister, to promote UK investment in the region.

Mrs Breuel said the Treuhand would increasingly employ "creative forms of privatisation" to maintain the pace of selling at about 24 companies a day. This would involve contracting out more work to independent investment banks, seeking the flotation of some restructured companies on stock exchanges, and organising large-scale public tenders for groups of small companies.

Mr Möllemann stressed the Bonn government's support for foreign investment: "We expressly welcome foreign participation. There is a massive need for investment and we want to get foreign capital, know-how and technological expertise involved in the reconstruction of the new federal states."

Mr Bangemann predicted that investors in eastern Germany would be well placed to take advantage of the likely emergence of a new region of economic growth around the Baltic Sea.

French unemployment rises sharply again in October

Unemployment in France climbed steeply again last month to nearly 2.8m, or 9.7 per cent of the active population, writes Ian Davidson in Paris. The figures seem to confirm that the rate of climb is easing, but the continuing recession, and the widespread expectation that more than 3mpeople will be jobless before winter ends, are having a disastrous impact on the government's popularity.

The most recent opinion poll shows that only 19 per cent of the electorate are satisfied with Mrs Edith Cresson, the prime minister; 53 per cent are dissatisfied. This is the worst popularity rating for any premier in the 33 years of the Fifth Republic.

The fall in the prime minister's standing, which has been unabated since her appointment in May, is also dragging down President François Mitterrand. Only 28 per cent are satisfied with his performance, according to the latest poll, while 57 per cent are dissatisfied – his worst showing since 1984.

The seasonally adjusted unemployment figures issued by the Labour Ministry show 2,796,100 out of work in October. This was an increase of 24,100 during the month, and of 264,500 so far this year.

Polish MPs delay vote on government resignation

Poland's outgoing government, headed by Mr Jan Krzysztof Bielecki, won a stay of execution yesterday when parliament delayed voting on its resignation until December 5, writes Christopher Bobinski in Warsaw. The delay is a conciliatory gesture to President Lech Walesa, who wants to keep Mr Bielecki's cabinet in place. Mr Wieslaw Chrzanowski, parliamentary speaker, said it was to give time "for more talks".

Azerbaijan inflames Armenia row

AZERBAIJAN'S parliament decided yesterday to take control of the disputed territory of Nagorno-Karabakh, a move certain to inflame relations with neighbouring Armenia, Reuter reports from Moscow.

Nagorno-Karabakh, an autonomous Armenian-populated region within Azerbaijan, is claimed by both republics.

Nearly 1,000 have been killed and thousands forced from their homes in four years of fighting.

The leaders of Armenia and Azerbaijan were due to meet in Moscow today to defuse the latest crisis between the rival republics, sparked by the crash of a helicopter in Nagorno-Karabakh last week.

Azerbaijan accused Armenian gunmen of shooting down the aircraft. Armenia says it crashed in bad weather.

Mr Andrei Grachov, spokesman for President Gorbachev, said the two presidents would meet the country's top leaders to discuss "the very dangerous, alarming situation and work out decisions that would prevent further escalation".

Azerbaijani President Ayaz Mutalibov had earlier struck a conciliatory tone, telling the emergency parliamentary session – called to discuss the republic's response to the crash – that he opposed solving the dispute by force.

Armenian President Levon Ter-Petrosyan last week described the parliamentary debate as tantamount to declaring war.

As Mr Mutalibov addressed parliament in the republican capital Baku, thousands demonstrated outside, demanding action against Armenia.

Latest reports from Stepanakert say Azerbaijani gunmen have virtually cut off the town, where Soviet troops sent in to try to stop the fighting are still stationed.

In 1989, Moscow assumed direct control of the territory. It effectively returned the region to Azerbaijan's jurisdiction last year despite Armenian protests.

Russian president determined to dictate the terms of new republican treaty

By Leyla Boulton in Moscow

RUSSIA'S President Boris Yeltsin appears determined to dictate the terms of a new treaty to preserve some form of union among Soviet republics after playing an important role in holding up its progress at a meeting on Monday.

Mr Georgy Shakhnazarov, political adviser to President Mikhail Gorbachev, said yesterday the Russian leader had insisted that the goal of the treaty should be to create a confederation rather than a confederative state. The latter provides for more of a union structure than in a pure confederation.

He said Mr Yeltsin had eventually relented and agreed to the term submitted by President Gorbachev. But the result of the meeting was that the draft treaty was not initialled by republican leaders as planned but sent to republican parliaments for further work.

It is understood, however, that when the draft is presented to the Russian parliament, Mr Yeltsin will be resubmitting his own proposals on what the treaty should look like, or at least that he will ensure the document is amended beyond recognition.

Mr Andrei Grachev, the Soviet president's spokesman, said Mr Yeltsin had eventually agreed to initial the treaty, but with reservations. Mr Yeltsin's first deputy prime minister, Mr Gennady Burbulis, said yesterday that the Russian president had expressed anger about alleged attempts by the central government to reconstitute itself and break agreements for dismantling 80 central ministries and state committees.

> The EC yesterday signed a Soviet credit guarantee worth Ecu500m (£357m) first promised last December but delayed because of uncertainties over the Baltic republics, Reuter reports from Brussels.
>
> The loan, provided by a syndicate of 29 EC banks, will allow the Soviet Union to buy food in the Community and in east European states under a so-called triangular arrangement. This allows Moscow to spend a quarter of the money in Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Lithuania, Estonia and Latvia.

Yeltsin: reservations

Lionel Barber adds from Washington: The US Congress is set to approve a $500m (£282.4m) plan to help the Soviet Union control and destroy thousands of nuclear weapons. The aim is to prevent the proliferation of warheads and nuclear expertise as the threat of economic and social chaos in the republics grows this winter.

The Senate voted 87-8 in favour of the plan which was rejected only two weeks ago in a senatorial stampede against foreign aid. The House of Representatives is expected later this week to approve the $500m in emergency funds which will be drawn from the Pentagon budget. It will be used to help the Soviet Union transport, store and destroy parts of its nuclear and chemical arsenal, and foster contacts with Soviet nuclear scientists who might be tempted to work for countries such as Iraq and Libya.

Russia to sell 70% of state assets

By Leyla Boulton

RUSSIA aims to sell off 70 per cent of state property over the next decade, an official said yesterday.

Mr Oleg Kachanov, deputy chairman of the privatisation committee, said an immediate priority was to assert Russian authorities' supervision over privatisation following the collapse of central government ministries.

In the absence of overall direction, local authorities have conducted privatisation on an ad hoc basis – resulting for instance in chaos in Moscow and relative success in St Petersburg.

Mr Kachanov also warned that Fiat's talks on taking a stake in Vaz, makers of Lada cars, would fail unless his committee was involved in the negotiations.

Fiat, Vaz, and the Soviet car-manufacturing ministry have for months been conducting detailed negotiations which have dwelt at great length on the problems of evaluating the Soviet assets.

Mr Kachanov said the committee wanted to privatise a second car-producer, Avtogaz in Nizhny Novgorod, which produces Volga cars and trucks. But Russia wanted a majority of the shares to remain in Russian hands to prevent a foreign investor from throwing out Avtogaz's technology and using the plant to assemble foreign cars.

A deal between Fiat and Vaz, the biggest Soviet car maker, would be the first instance of a western company taking a substantial stake in a Soviet industrial giant.

Although various Russian authorities, including the former prime minister, Mr Ivan Silayev, have been consulted, the committee has so far not been involved in the Vaz talks – not least because it is not clear to Fiat and other foreign investors who they should be talking to given the chaos in the Russian government.

Mr Kachanov said this would change now a team of genuine economic reformers was in power. The committee is insisting on control of privatisation in the face of competition among authorities at republican, regional and municipal level.

Mr Kachanov said President Boris Yeltsin would soon sign a decree for medium and large state enterprises to be turned into joint-stock companies so that their shares could be sold gradually. Management would in the meantime be free to manage independently. Monopolies would be broken up.

Mr Yeltsin has also promised to privatise half of Russia's small enterprises – including restaurants and shops – by next spring. Mr Kachanov said this was achievable even though nothing had been done so far.

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US tells EC to soften farm subsidy stance

By William Dullforce in Geneva

THE EC must soften its stance if the farm subsidy impasse that has brought five years' Gatt trade talks to the verge of failure is to be overcome, US officials said yesterday.

Their comments, after an assessment by the White House, the agriculture department and the trade representative's office in Washington on Monday, indicates the administration has opted for a resolute approach to the crisis. The terms the EC had offered would not make up the large package of farm reforms the US was seeking in the Uruguay Round talks, officials said.

A number of the positions taken by Mr Guy Legras, EC agriculture director-general, in Geneva last week, were quite unacceptable. But, if Brussels were prepared to modify his tough stance, the US would be willing to show flexibility. "We are not saying they have to move first. The question is whether the EC member states will agree to give their negotiator flexibility," one official said. The US believes French President François Mitterrand is insisting the EC Commission make no more concessions.

Issues on which the EC needed to show more flexibility included the base period from which farm subsidy cuts would be counted; the method of reduction; the types of farm support to be exempted, and the "safeguard" mechanism under which countries would be allowed to protect domestic suppliers against unexpectedly large import volumes.

US farm negotiators claim that under the method the EC would use for converting its import barriers into tariffs, customs duties would be so high that there would be little or no direct improvement in exporters' access to the EC market over five years. Minimum access terms offered by the EC would lead to increases varying from zero to 5 per cent according to product. Brussels' offer would effectively cut export subsidies by only 19-20 per cent, US analysts claim.

Washington contends President Bush offered a big concession at the US-EC meeting in The Hague on November 9, in scaling down to 35-30 per cent the subsidy cuts sought by the US, and that the EC has not responded with changes to its stance.

Mr Arthur Dunkel, Gatt director-general, plans to call a Uruguay Round stock-taking meeting on Friday, when he is expected to announce that bases now exist for concluding negotiations in all sectors, including services and intellectual property.

Implicitly, he will tell the EC and US that, if they are prepared to resume farm talks, the time is ripe for sector and country trade-offs.

Senator Max Baucus, chairman of the Senate international trade sub-committee, yesterday said he would attach measures to any Uruguay Round package coming up for congressional approval attacking unilateral trade barriers and enforcing trade agreements, Nancy Dunne reports from Washington.

Targets include Japan's keiretsu system; South Korea's "austerity campaign; Airbus subsidies; EC oilseed subsidies; Japan's "failure" to comply with a semiconductor agreement; and Canada's unilateral termination of an agreement on lumber.

US business sees benefits in Uruguay Round

Some find Gatt talks the only viable jumpstarter for the economy, Nancy Dunne writes

IF AND when Gatt's multilateral trade talks are completed, a final agreement for the first time will be delivered by a Republican president to a Democratic congress.

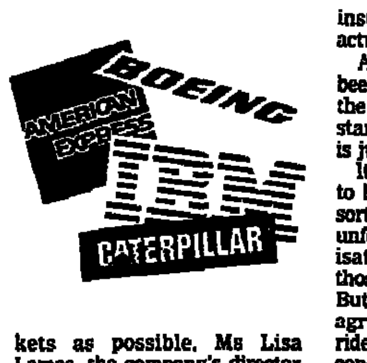
Divided government has stalemated US government action for years on a wide range of issues. This paralysis could as easily extend to the complex talks under way in Geneva to revitalise Gatt.

For this reason, the Bush administration has taken to heart the warnings by Democratic leaders that the US must not negotiate away its right to unilateral action against "unfair trade practices". If it accepts the current EC demand for a commitment not to employ Section 301 for at least five years, the Gatt package could go up in smoke.

"The feeling is increasing that Gatt does not represent a forum where reality is negotiated or discussed," said Mr Michael Coursey, a Washington trade lawyer. "There is a general feeling that the diplomats there have been having a field day against us. The mood is: What has the rest of the world done for us lately?"

This sentiment does not extend to the US business community whose Washington representatives have devoted six years of travel, dawn breakfasts, speech writing, report reading, conferences and strategy sessions to the Round. Most large American companies have huge stakes in the Round. Some of its more ardent backers see it as the only viable jumpstarter for the US economy; others see the benefits accruing over the long term in expanded trade and investment. Unlike their counterparts in Europe and Asia, US business groups have been intimately involved in the talks since the beginning. Industry advisory committees have been appointed for all the negotiating groups.

IBM would be one winner. Company officials say rules on intellectual property rights could make a big dent in thefts now totalling an estimated \$1bn (£500m) a year. They want a code on intellectual property subject to a strong dispute settlement mechanism. An investment code is also vital for IBM. Performance needs and other government-imposed demands on would-be investors are uneconomic. "If you send more widgets into a market, your cost structure goes down worldwide per unit," said Mr Douglas Worth, IBM public affairs director. "You have more units on which to spread your research and development; you create marketing economies of scale."



Companies such as American Express want maximum liberalisation in as many markets as possible. Ms Lisa Lamas, the company's director of international government affairs, said US financial services providers face a host of problems in developing and newly industrialised countries: unclear rules; discrimination between local and foreign banks; difficulties in obtaining licences; lack of access to local automatic teller networks or bars to establishing their own.

Negotiations on a framework accord and a financial services annex between the US, EC and others have been going well, mainly in the last few months. But services talks require bilateral negotiations on regulations, and these are very time-consuming.

"There is a huge push in getting the Round wrapped up as soon as possible," said Ms Lamas. "But we don't want the Round done so quickly that all we have is a framework and insufficient time to complete actual liberalisation."

A lot of groundwork has been laid. Some 40 offers are on the table, but most amount to standstills. The horse-trading is just beginning.

It was vital, Ms Lamas said, to build into the accord "some sort of leverage" so countries unforthcoming in their liberalisation do not benefit from those which make concessions. But if enough liberalisation is agreed, this so-called "free rider issue" will be less of a concern.

At Boeing, Ms Lisa Barry has been watching the subsidies talks. The company, which has been losing orders to the Airbus consortium, wants an expanded list of prohibited trade-distorting domestic subsidies, a clear definition for actionable subsidies and procedures for taking action, and to stop loopholes developing, a specific list of non-actionable subsidies. Thus far, the talks have been "mixed", says Ms Barry. Concern still exists over the negotiating text, and a recommended five-year phase-out for prohibited subsidies is thought too long.

Mr Bill Lane, a Caterpillar official, said the company stands to be a primary beneficiary of a reformed Gatt. Agreement is near in the tariff-cutting talks to phase out duties on building equipment. Caterpillar estimates its customers are still paying \$100m a year in tariff costs. He is less optimistic about progress in the talks on reform of the anti-dumping code where changes are expected to be only "modest". As a big exporter, Caterpillar could face anti-dumping charges overseas and "just the threat of anti-dumping can cause you not to respond to competitive situations."

Anti-dumping laws were being increasingly applied against "normal business practices"; the Gatt definition of dumping was "faulty"; dumping calculations tended to be biased towards the petitioners, and the duties imposed were usually permanent. Progress had come on rules covering pre-shipment inspection, Mr Lane added. Disciplines had been established to ensure an end to abuses encountered in Africa and, sometimes, Latin America.

In the end, no final Gatt agreement will pass Congress without backing from US business and its cosmopolitan lobbyists. There will also be US losers. As quotas come down, textile and apparel producers could be wiped out by low-cost competition; any lowering of import limits on sugar, peanuts, dairy and other protected commodities will hit the farming sector. Congress will hear from them too.

Indonesian radio system contract goes to UK

GEC-Marconi of the UK has won a £30m turnkey contract to provide a radio broadcasting system for Indonesia, the biggest deal of this type the company has secured, Michael Skapinker reports.

GEC-Marconi, the aerospace and electronics arm of the General Electric Company, said it would provide nine shortwave broadcasting transmitters and 20 antennae, capable of covering the whole of Indonesia. The equipment will be made at the company's Chelmsford factory.

The deal includes building and installation work, commissioning, training and logistical support. GEC-Marconi will carry out the work, likely to take three years, in association with P.T.Astona Mitrasabena of Jakarta.

Turkish army order

CADILLAC Gage of the US was yesterday awarded a \$33m (£18.6m) contract to supply guns for Turkey's armoured personnel carriers, the Anatolia news agency said, John Murray Brown reports from Ankara. The deal was earlier won by FMC of the US, after a dispute with a Swiss group.

Canada mission for Geneva

MR Brian Mulroney, Canada's prime minister, has sent his trade and farm ministers to Geneva in a last-minute effort to protect Ottawa's supply-management system for farm products, Bernard Simon reports from Toronto.

Canadian dairy and poultry farmers, the system's main beneficiaries, have mounted a campaign to keep the import controls and quotas which have protected them from outside competition for the past 20 years. But pressures are mounting in the Uruguay Round to dismantle these Gatt provisions.

The supply-management system has been permitted under Gatt's Article XI, but most Uruguay Round participants are pushing for its replacement by tariffs. Pressure on supply-management has been growing on several fronts in recent years. A Gatt panel last year upheld a US complaint against Canada's import curbs on ice-cream and yoghurt. The


Mulroney: last-minute effort

US-Canada free trade accord is forcing food processors to seek cheaper raw materials. Another sign that confidence in the system is eroding is the fall in the value of production quotas traded among farmers.

Japan urged to be more active in Gatt talks

THE EC yesterday urged Japan to take a more active role in settling Gatt's Uruguay Round, and be ready to make concessions on issues such as tariff cuts, access for service industries, and dispute settlement procedures, Robert Thomson reports from Tokyo.

Attention has focused on whether Japan will open its rice market to imports, but Mr Frans Andriessen, EC external affairs commissioner, yesterday asked Japan to be ready to make a range of concessions at short notice to ensure the Round's success.

The EC wants to extend its links with Japan beyond the economic, and an EC/Japan Declaration was issued last July, but Mr Andriessen's talks with Japanese leaders in the past two days have been dominated by trade concerns.

Mr Andriessen said in Osaka yesterday that the EC had made enough trade concessions to feel "fully entitled to encourage Japan to accept its responsibilities by opening specific markets, liberalising regulated sectors and introducing structural reforms".

The EC was concerned that the rise in its exports to Japan in recent years was "mainly related to consumer goods rather than manufactured onnes". On the Gatt talks, Mr Andriessen said singling out a particular issue, such as agriculture, "cannot but be detrimental". The EC and US have felt concern that Tokyo's stress on "sacrifices" involved in a rice-market opening will result in Japanese reluctance to concede other sensitive issues, such as dispute settlement and tariff cuts over a wide range.

US, China in sixth day of talks to head off sanctions

By Nancy Dunne in Washington and Angus Foster in Hong Kong

US and Chinese negotiators yesterday entered their sixth day of talks to head off US trade sanctions for China's failure to protect intellectual property rights.

On Monday, the National Consumers League and the AFL-CIO, the biggest union organisation in the US, said they would call for a boycott of Chinese toys in 11 US cities over the Christmas sales period. They said the boycott was to highlight China's use of forced and child labour in toy making. The boycott calls follow claims that China was exporting prison-made goods.

Yesterday was the deadline for settlement on a provision of US trade law known as Special 301, providing for a three-month extension of the negotiating period if sufficient progress has been achieved. US officials have been reporting some progress with China over patents, trademarks and copyrights. They may extend the talks, then release a list of potential sanctions to bring pressure on Beijing for further concessions.

Talks are continuing with India over intellectual property rights. Sufficient agreement has been found over the six months of meetings for the US to have reportedly agreed on an extension. But India has said it will implement reforms only under a new Uruguay Round agreement,

INTERNATIONAL NEWS

Japanese securities watchdog approved

By Robert Thomson in Tokyo

JAPAN'S Ministry of Finance yesterday won approval from the ruling Liberal Democratic Party for an agency to oversee financial institutions and attempt to prevent a repeat of the scandals which have shaken the industry this year.

While there had been calls for an independent watchdog similar to the US Securities and Exchange Commission, the proposed Securities and Banking Industry Inspection Commission will be responsible to the finance minister, who will appoint the body's three commissioners.

The Finance Ministry has been condemned for being too close to the securities houses and allowing the spread of corruption. Japan's leading securities houses have admitted to compensating favoured corporate clients for trading losses and, in the case of two brokers, to dealing with Japanese gangster groups.

LDP approval of the commission coincided with the end of the penance of Nomura Securities, the largest broker, whose branches were operating normally yesterday for the first time in six weeks.

Equity trading had been suspended at 78 of Nomura's 153 offices for a month and at eight offices for six weeks, and the company's absolution was greeted by the first increase in 10 days in the Tokyo stock market average.

Nomura suffered the harshest penalty of Japan's Big Four brokers for "excessively promoting" stock in Tokyu Corporation, a railway operator in which a gang leader acquired a large stake.

All four brokerages had been banned from dealing with corporate customers for between one and three weeks as a penalty for the compensation of select clients.

Industrial output in Japan falls

By Steven Butler in Tokyo

JAPANESE industrial production took an unexpectedly sharp decline in October, falling by 2 per cent compared to a year ago in the first year-on-year decline in industrial output in four years.

The figures released yesterday by the Ministry of International Trade and Industry (Miti) have added further evidence that the economy is cooling far more rapidly than had been suggested by earlier government forecasts.

Miti had forecast that industrial production would rise in October by 2.6 per cent over September, compared to an actual decline of 0.4 per cent.

The decline is likely to add to pressure on the government to stimulate the economy by further cuts to interest rates or by a fiscal stimulus. Mr Yasushi Mieno, the governor of the Bank of Japan, on Monday rejected calls from industrial and political leaders for an easing of monetary policy.

How Moi's right-hand man made his wealth

Julian Ozanne looks at the extensive business connections of Nicholas Biwott, arrested yesterday

MR Nicholas Biwott, arrested yesterday in connection with murder, has accumulated interests worth tens of millions of dollars in a wide-ranging group of Kenyan companies during his political career.

The probity of several multi-million dollar projects commissioned during his 10-year stint as energy minister has been called into question, despite his repeated denials of any illegal financial dealings. Western diplomats in Nairobi used to say that his continued presence as a senior figure in the Kenyan cabinet had seriously tarnished the government of Mr Daniel arap Moi.

The inquiry into the death of Robert Ouko, the former foreign minister, has heard allegations that Mr Biwott and two other cabinet ministers *demanded kickbacks from* BAK, a Swiss-based consultancy firm, in return for a multi-million dollar contract to rehabilitate a molasses plant in Mr Ouko's constituency.

Mr Eston Barrack Mbajah, Mr Ouko's brother, said in an affidavit that Mr Ouko clashed with Mr Biwott during a trip to the US over "foreign accounts Biwott and other government ministers held in other countries". Mr John Troon, the British detective leading the investigation into Mr Ouko's death last year named Mr Biwott and one other senior government official as his two prime suspects in the murder inquiry and complained that he had been prevented from interviewing either.

Biwott: once regarded as second most powerful man in Kenya

Establishing ownership of companies in Kenya is severely hampered by the extensive use of nominee shareholders and the mysterious disappearance of files from the records of the Companies Registry of the Attorney General's office. But records show that Mr Biwott has amassed large interests in construction, petroleum distribution, aviation and property.

He first entered the business world in 1975 in partnership with Mr Moi in a company *called Lima Ltd, originally* formed to import combine harvesters. Mr Moi was then vice-president of Kenya and Mr Biwott his personal assistant, and also under-secretary at the Ministry of Home Affairs.

Lima became the bedrock of a business empire which expanded into Lima Finance, which in turn acquired large share holdings in the prominent Kenyan private companies, Trade Bank, Trade Finance and Prudential Assurance Company.

Mr Gideon Moi, the president's son, was appointed a director in 1989.

In 1978 Mr Biwott teamed up with Mr Gad Zeevi, an Israeli businessman, whose construction company HZ Construction, was already the biggest in East Africa. Together they built a group of companies which included HZ Construction, Kobil and Kenol (both petroleum distributors) Pan African Equipment, Air Kenya and Yaya Centre – a large indoor shopping mall.

Earlier this year Mr Biwott fell out with Mr Zeevi over the purchase of a $100m (£56.4m) oil refinery in Puerto Rico and forced him to sell his interests in the group and leave Kenya. Shares in Trade Bank, originally held in thirds by Mr Biwott, Mr Zeevi and Mr Iqbal Kassam, a local Asian businessman, are believed to have been divested subsequently.

Mr Biwott has also developed a beneficial interest in *Pete Aviation*, ABC Foods, Ziba, Middle East Bank, and several other small hotels, retail companies and distributorships.

Allegations of conflict between his duties at the energy ministry and his many business interests have been constant over the years.

The most serious and best documented, with western donor countries in the forefront of the accusations, concern the award of contracts for the estimated $270m Turkwell Gorge Hydro-electric scheme in 1986.

The project was never put out for conventional tender. Early preliminary design reports by Sogreah, the French engineering concern, were followed quickly by an offer from the French government for a complete package of loans to finance the project. This was accepted in preference to a package put together by the European Community.

The construction contract was eventually awarded to Spie Batignolles and French companies were also selected to supply turbines, generators and transmission equipment. Nearly 80 per cent of the projects cost was financed by commercial borrowing repayable in Swiss francs.

An internal memorandum drawn up by Mr Achim Kratz, then EC delegate to Kenya, said the financing conditions were extremely disadvantageous for Kenya and the price was "more than double the amount Kenya's government would have had to pay for the project based on an international competitive tender".

Mr Kratz, who was forced to leave Kenya after the leak of the memo to the Financial Times in 1986, wrote: "The Kenyan government officials who are involved in the project are *fully* aware of the disadvantages of the French deal ... but they nevertheless accepted because of high personal advantages."

Local insurance companies complained later that Prudential Assurance Company had been awarded the insurance business estimated to be worth about KSh50m (£1m).

Before Mr Biwott's transfer to the industry ministry last month the World Bank was also holding up a $140m-$160m energy sectoral adjustment credit because of his refusal to submit $800m worth of projects under his ministry, including a geothermal power plant, a hydroelectric power plant and upgrading of the Mombasa refinery, to World Bank scrutiny.

The latest allegations against Mr Biwott come from Mr Tiny Rowland, chief executive of Lonrho, who claims that Mr Biwott *blocked Lonrho's* bids for the construction of an oil pipeline and rehabilitation of a sugar factory because his company would not pay kickbacks.

US refuses to lift PLO entry ban for talks

THE UNITED States said yesterday that it would not issue entry visas to members of the Palestine Liberation Organisation (PLO) intending to advise Palestinians in proposed Middle East peace talks next week, Reuter reports from Washington.

The State Department spokeswoman, Mrs Margaret Tutwiler, also said that the US would not entertain conditions for attendanace at the talks, on December 4 in Washington, from any of the other Arab or Israeli parties.

Jordan and Lebanon are the only countries to have accepted the invitations to the talks so far. The Israeli inner cabinet is to decide its response today. Mrs Tutwiler said that Syria and the Palestinians had communicated "responses that show a readiness to respond positively, with some questions".

The Palestinians are pressing Mr James Baker, US Secretary of State, to use his discretionary powers to seek a waiver of the immigration law which bans members of the PLO from entering the US.

However, Mrs Tutwiler was adamant that Mr Baker – who *has recommended such* waivers for visits to the United Nations in New York, for humanitarian reasons and for certain academic conferences – would not issue them in this case.

She said that it was up to the parties to the talks, which would follow meetings held in Madrid at the end of October, to decide to come to Washington or not as they wished.

Addressing Arabs and Israelis directly, she said: "If you choose to come, we think these are important talks. We believe that you believe they're important talks. And let us have your response."

The US had asked for responses by Monday but the deadline passed without official word from the three most important parties – Israel, Syria and the Palestinians.

Earlier, diplomatic sources said that the US had proposed to Israel and Syria that they begin discussing an Israeli withdrawal from the occupied Golan Heights in exchange for peace. The sources said that the idea was brought up in messages to both countries inviting them to the talks.

Nigeria imposes a curfew for census

THE Nigerian government has ordered the entire population to be confined to their homes until tomorrow night, and has closed the country's international frontiers, to facilitate a national census, writes William Keeling.

Even before the exercise gets underway, however, the accuracy of its results is being questioned.

About 700,000 enumerators and officials will criss-cross the country over two days, using canoe and helicopter to reach the most inaccessible areas. A further 100,000 members of the police force will be on duty to oversee an exercise that has inthe past been plagued by violence and rigging.

The federal government uses population in its calculations when dividing up revenue between the regions. The last two censuses, in 1963 and 1973, had to be rejected after many regions were found to have hugely inflated their figures. The government put the current population at about 116m, but unofficial estimates range from 80m to 140m.

The new census omits questions on the religious and ethnic backgrounds of respondents in an attempt by the government to depoliticise the exercise.

Nevertheless, critics of the government say it will bend the census figures to suit its political needs.

Critics also question the government's willingness to accept a reduced population figure. If Nigeria's population were indeed 80m, its per capita income figure would be significantly higher. This would weaken the government's hand when negotiating with foreign creditors over reduction of its $35bn international debt and reduce prospects for new aid.

Mobutu's new prime minister provokes opposition protest

SUPPORTERS of Zairean opposition leader Mr Etienne Tshisekedi staged protests in the capital Kinshasa after President Mobutu Sese Seko appointed a new prime minister, Reuters reports from Kinshasa.

Mr Mobutu named Mr Nguza Karl-I-Bond, another leading opponent, as prime minister in a move which has cemented an opposition split and rekindled violent protest.

Offices of Mr Nguza's Union of Independent Federalists and Republicans were attacked and protesters assaulted foreigners from West Africa in anger at Senegal's mediation in the political crisis.

Mr Mobutu said the appointment had been made after "consultations led by Senegalese mediation" between the two main political groupings.

A spokesman for the opposition said, however, that Mr Mobutu had broken the peace accord brokered last week.

S African police and protesters face charges

A JUDGE yesterday asked prosecutors to consider murder *charges against policemen and* anti-apartheid black activists involved in 13 killings during some of the worst South African township violence this year. Reuter reports from Johannesburg.

Judge B. O'Donovan ruled that police who fired more than 250 rounds in less than two minutes used excessive force in trying to disperse a *crowd of 200 people on March* 24 in Johannesburg's Daveyton township. The "slaughter exceeded the bounds of self-defence", the judge said at an inquest in the Rand Supreme Court.

He ruled that police officers were responsible for 12 deaths, while six unidentified people in a crowd of mostly pro-African National Congress blacks were responsible for the hacking to death of a policeman at the scene. Judge O'Donovan said charges of murder or culpable homicide could be brought and asked the attorney-general of Transvaal province to review his findings.

The judge made no finding on a 14th death, that of an eight-year-old girl who was shot in the head. The bullet did not match police weapons used on the day, he said. Daveyton residents had gathered to defend a section of the township from attack by members of the Inkatha Freedom Party, who were holding a rally nearby during one of the most tense periods of a 15-month bout of factional violence.

Bangladeshi jute and textile mill workers brandishing sticks on a road outside the capital Dhaka yesterday as part of their rail and road blockade to protest against the government's plans to privatise their industry. They are also pressing for higher wages

US pulls out of base in Philippines

THE American flag was lowered for the last time at Clark Air Base yesterday as the US abandoned one of its oldest and largest overseas bases, damaged by a volcano in June, AP reports from Manila.

Filipino base employees embraced the departing Americans and many in the crowd wept during the two-hour ceremony, marking the end of nearly a century of American military presence there.

Looters then entered the sprawling base, taking appliances, cable and other material, US officials said.

Inspection issue tied to removal of US weapons in South

N Korean nuclear proposal

By John Ridding in Seoul and Steven Butler in Tokyo

NORTH KOREA, under growing international pressure to open its nuclear facilities to inspection, has indicated that it may do so once the US removes nuclear warheads from South Korea. Government radio, monitored in Tokyo on Monday night, proposed "simultaneous nuclear inspections" and inter-Korean talks to make the peninsula a nuclear-free zone.

South Korea reacted coolly, however. "We maintain our position that North Korea should fulfil its commitment under the nuclear non-proliferation treaty (NPT) and allow inspection without conditions," said a foreign ministry official.

Nevertheless, the proposal showed some progress, he said, adding that the more flexible position reflected increased pressure on Pyongyang from Seoul and its allies.

The Japanese government, for its part, dismissed any notion that there had been a significant change in North Korea's position. The foreign ministry said North Korea was still calling for inspection of US military facilities as a condition which was unacceptable.

Japan agrees with the US that inspection itself is insufficient as Iraq has moved forward with its nuclear weapons programme in spite of apparent compliance with the NPT. The US insists the North halt fuel enrichment.

Washington has voiced increasing concern about North Korea's nuclear programme. During a visit to Seoul last week, Mr James Baker, Secretary of State, said he was certain the programme was designed to develop a weapon and that it represented the biggest threat to security in north-east Asia.

The US, which refuses to confirm the presence of nuclear arms at its bases in South Korea, is believed to have decided to withdraw the estimated 100 warheads it has there. South Korea is expected to announce within the next few months that there are no nuclear weapons on the southern half of the peninsula.

Former Thai PM's assets seized

By Peter Ungphakorn in Bangkok

A COMMITTEE investigating allegations of corruption in Thailand declared yesterday that General Chatichai Choonhavan, the former prime minister, was "unusually wealthy" and ordered that 266m baht (£5.8m) of his assets be seized.

Gen Chatichai, a former diplomat with a number of business interests, is expected to appeal against the order in court.

The assets investigation committee, set up by the military after their coup against Gen Chatichai in February, had delayed an announcement on its findings until a recent law allowing appeals was published in the Government Gazette.

Originally 25 advisers and former members of Gen Chatichai's government were listed as "unusually wealthy" suspects. Twelve were dropped from the list early in the investigations. Yesterday's announcement seizing the assets of Gen Chatichai and one of his associates was the first ruling on the remaining 13. Decisions on the rest are expected in the next few weeks.

The investigations have aroused considerable controversy. When the committee was established, there was no allowance for any recourse to the courts.

However, a decision to allow appeals to the courts, which would make convictions more difficult to secure, coincided with the election of pro-junta air force officer to replace Gen Chatichai as leader of his Chat Thai party. This led to allegations that a secret deal had been struck in which the party would support the military in return for its members being given a better chance of escaping the confiscation of their assets.

Punjab businessmen invest in own freedom

David Housego reports on the city with a growth industry in kidnap threats and ransom

IN THE quiet prosperous suburbs of Ludhiana, the industrial capital of the Punjab, a police Jeep carrying a squad of heavily armed men stands guard outside the front gate of an otherwise unobtrusive house.

Like many other businessmen in the city, Mr Sunil Munjal, executive director of Hero Cycles, the world's largest bicycle manufacturer which has its headquarters in Ludhiana, has been forced in recent months to hire security protection for himself and his family.

Ludhiana was one of the places where Mr Liviu Radu, the Romanian diplomat kidnapped by Sikh militants and released yesterday, was held during his 48-day captivity.

Since November last year industrialists, traders and shop owners in the city have increasingly found themselves a target of militant groups – and the criminals who have mushroomed beside them – seeking to make money out of kidnap threats and ransom demands.

"Anybody and everybody," is a target, says Mr Munjal. In a city where fear predominates and which closes down after eight at night, the result has been that new industrial investment has come to a virtual halt, many small businesses have been plunged into financial difficulty, and some *families are establishing fresh* footholds in other states.

Ludhiana, a sprawling, polluted city famous for its manufacture of knitwear, bicycles and sewing machines, escaped most of the violence that engulfed the Punjab in the 1980s with the spread of the Sikh separatist movement.

A Romanian diplomat, Mr Liviu Radu, turned up in New Delhi yesterday after being released by Sikh militants in Punjab after a seven-week abduction which sparked a huge manhunt, Reuter reports from New Delhi.

Mr Radu, 53, looking fit, told reporters he was put on a train in Punjab on Monday night. He arrived in Delhi after a 12-hour journey and took a taxi home from the railway station. Responsibility for the kidnapping was claimed by four of the two dozen Sikh militias fighting for independence in Punjab. They demanded the release of three militants.

It pursued instead a headlong industrial expansion fuelled by a phenomenon rare in India – an abundant supply of electric power and the almost total absence of a trade union movement. "Ludhiana is the only place in the country which does not have a labour problem," says Mr Ajay Dewan, a knitwear manufacturer.

But in November last year Mr Satish Thapar, a member of the Thapar family that owns spinning, steel, and vegetable oil plants in the city, was kidnapped by Sikh militants and released on payment of Rs180m (£3.9m) ransom. The militants needed funds to purchase weapons.

The incident seems to have opened the eyes of other militant factions – competing *among themselves for funds* and influence – to the wealth of the city. Small-time criminals, often posing as militants, quickly joined the pursuit. They found that those who were threatened through letters or phone calls were usually too frightened to do anything but pay up.

"This is a plum town for terrorists," concedes Mr Dewan. "They get what they demand. They send a letter and the victim pays immediately without question. The police say we are helpless." Others accuse the police of being hand in glove with the militants or the criminals. The worsening situation in Ludhiana reflects a growing lawlessness in the Punjab. On average about 300 people a month have been killed this year in the state – including police and militants.

In an effort to halt the downward slide, the government last week began to deploy an additional 120,000 troops and 80,000 paramilitary forces in the state.

The deployment is intended as a prelude to holding elections to the state assembly in late January or February. No state assembly elections have been held since 1985 because the government has been unable to guarantee security, and because it feared that the result – though this seems unlikely – could be a majority favourable to declaring an independent Sikh state (Khalistan).

But the price the central government has had to pay for postponing elections is that it has had to shoulder the responsibility for running the state itself. It has thus borne the blame for the breakdown of law and order and for the inefficiency and abuses of the heavy-handed police force.

In Ludhiana, the main impact of the kidnappings and extortion has been to dry up fresh industrial investment. Companies that would otherwise have expanded in the city are locating new factories elsewhere – costing Ludhiana an estimated Rs2bn in lost investment over the last year. Typical is Thapar Spinning which had planned to put up a new Rs540m spinning mill, but which will now site it near New Delhi.

With little fresh investment, traders and equipment suppliers are facing a slump in orders.

Inductotherm, which sells small steel furnaces, moved its headquarters to Ludhiana from New Delhi in 1986 because demand in the area was so strong. But sales have tumbled from 80 furnaces last year to 16 so far this year. Inductotherm now seems likely to move back to Delhi.

Many small businesses are in difficulty because they have been hit by two other phenomena as well – the increase in interest rates nationwide and the collapse of the Soviet Union which was an important market for the city's hosiery industry.

These problems have come on top of a longstanding difficulty for companies in the Punjab – raising credit outside the state and attracting dealers or maintenance engineers to their units. The image of the Punjab deters visitors.

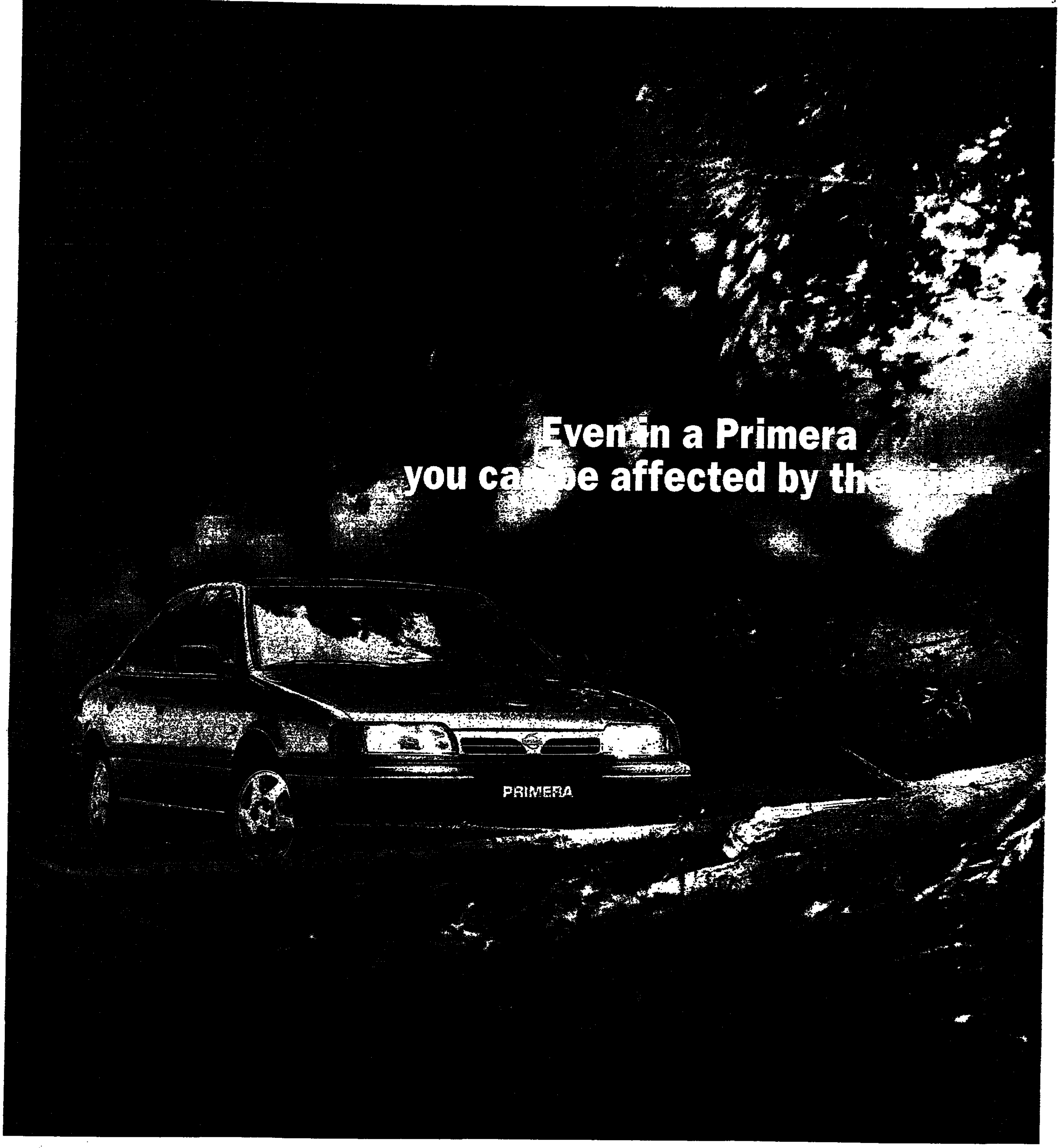
Some families have begun moving out – or at least searching for an alternative base outside the state. Real estate prices, which boomed in the mid 1980s, *have halved* over the last 12 months.

Mr S S Channi, the deputy commissioner, and thus the senior official in the city, claims that so far no companies have closed down or shifted out of the state. But indicative of the government's own inability to maintain law and order, he says that he has been urging companies to acquire their own security.

In recent months he has issued almost 1500 licences for weapons for security guards. In advance of the election the army is deploying 6,000 troops. Most businessmen believe that in the short term this will help diminish popular fears.

Few hold out much hope of the elections on their own – though these are seen as a positive step – breaking the political deadlock that has gripped the Punjab.

Terrorism and crime have now become so deeply embedded that they will be difficult to remove.



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Congress grinds out bank bill

By George Graham in Washington

Gonzalez (left) and Riegle: Pragmatic warnings

THE US Congress yesterday inched its way towards final agreement on a narrow banking bill which would provide new funding for the almost empty deposit insurance fund, but avoid any attempt to broaden the areas of business that US banks may enter.

Negotiators from the Senate and the House of Representatives sought to find the lowest common denominator between the different versions voted through by each chamber, in the hope that they could pass a compromise bill in time to end this year's session of Congress before the Thanksgiving holiday tomorrow.

"*It is essential that we not* only have a blend of the best of the two bills, but also have a package that can pass both houses," said Senator Donald Riegle, chairman of the Senate banking committee.

His House committee counterpart, Congressman Henry Gonzalez, added that it was essential to concentrate on the most urgent problem – the authorisation of up to $70bn of additional borrowing power for the deposit insurance fund.

"I think we all believe that broader structural reform is needed, but the fact is that today we must deal with the immediate financing," Mr Gonzalez said.

Senator Riegle had warned, in a letter to President George Bush on Monday, that he believed the $70bn package would not be enough to deal with the problems facing the banking industry, and he called for a stronger initiative.

The senator drew a stinging retort from Mr Nicholas Brady, Treasury Secretary, who said that the administration had been fighting in vain for such an initiative since February.

"The narrow bill ... provides critically needed funding but is otherwise wholly inadequate to the task at hand.

"Fundamental reform of our banking laws – already delayed – is not a 'We can get to it later' issue," Mr Brady said.

Most of the road towards a narrow, compromise bill was travelled on Monday night, when Senate negotiators agreed to drop their proposal to allow banks to open branches freely outside their respective home states.

Although the House has voted in favour of inter-state branching, as it is known, on several occasions as an isolated measure, House negotiators believe it is now essential to keep the bill as narrow as possible if it is to stand any chance of passage before Congress rises for the holiday.

Earlier proposals by the Bush administration to allow banks to enter the securities, insurance and real estate businesses were dropped in a Senate debate last week.

The Senate long ago threw out the administration's request for commercial companies to be allowed to own banks.

Some points of disagreement *remained to be hammered out* yesterday afternoon. However, a chaotic conference session was frequently disrupted as members were called away to vote on other matters in one chamber or the other.

Outstanding issues include:

- Coverage of foreign deposits by the federal deposit insurance fund. Banks do not pay deposit insurance premiums on these deposits.
- Measures to allow expansion of "non-bank banks" providing a limited range of financial services. Critics argue that this would open a wider loophole for indirect ownership of banks by commercial companies.
- Provisions which would allow banks to invest a proportion of their capital, or of their assets, in equities. Opponents say this would commit the "economic sin" of allowing insured deposits to be invested in risky areas.

Haitian refugee exodus worsens

By Canute James in Kingston

THE breakdown of negotiations to resolve the political crisis in Haiti has been followed by an increase in the number of refugees from the Caribbean state.

The US authorities say that their coast guard has intercepted a further 1,000 Haitians fleeing the country on boats, bringing to 4,500 the number of refugees being held on US *craft in the Caribbean.*

The US Defence Department has decided to build an emergency camp for such refugees in the US naval base at Guantánamo Bay in south-eastern Cuba.

The US immigration service and representatives of Caribbean governments say they expect an increase in the number of refugees in the next few days, amid reports from Haiti that the army there, which staged a coup at the end of September, has been rounding up and shooting supporters of the overthrown President Jean-Bertrand Aristide.

The US has been attacked for its decision not to allow the Haitians into the US because Washington does not regard them as refugees from political persecution. An attempt by Washington to return by force the Haitians held on US ships has been halted by a federal judge in *Florida.* A hearing on the legality of the move is due next week.

President George Bush has been criticised by human rights organisations, Haitians living in the US and, privately, by Caribbean government officials for keeping the Haitians out of the US. Comparisons have been made with the ease with which Cubans fleeing their country are accepted by the US.

Washington's position is that the Haitians are a different case in that they are fleeing economic hardship.

A meeting in Colombia of Father Aristide, exiled by his army, and a group of Haitian legislators failed to agree conditions for his return to Haiti. The negotiations were set up by the Organisation of American States.

The legislators demanded that the US-backed international economic embargo against Haiti be lifted, while Fr Aristide said it should be maintained until he was exercising his powers again. The legislators also balked at his demand that the leaders of the army which overthrew him be tried for treason.

Prospects for the president's return seem to be dwindling. Mr Jean-Jacques Honorat, the army-appointed prime minister of Haiti, has said Fr Aristide will not be allowed back.

Haiti's neighbours are fearing that the US naval cordon of Florida to intercept Haitian refugees will force more of them to other parts of the Caribbean. About 1,200 are in Cuba and Jamaica.

Middle-class mockery pricks the president

Lionel Barber went to Sioux Falls and found Democrats attacking with wit and statistics

THERE are many good jokes doing the rounds of the Great Plains states about President George Bush but Mr Bob Coackley's ranks among the best. Just before election day, the Democratic party nominee calls Mr Bush and asks him to be secretary of state in the next administration. "You know what," says Mr Coackley, a World II bomber pilot, "Bush accepts."

The Democrats have drawn blood with charges that the president is more interested in running foreign policy than in tackling domestic issues. With the US economy stagnant, Mr Bush finds himself cast as aloof, indifferent and out of touch with millions of hard-pressed, middle-class Americans.

Some 1,300 Democrats from South Dakota and neighbouring Nebraska gathered in an Arabian equine stud farm outside Sioux Falls last Saturday night to hear four Democratic presidential hopefuls talk about the forgotten middle-class. It soon became clear that this is part of a bigger, more volatile message.

That message is "America First". Senator Tom Harkin of Iowa, Senator Bob Kerrey of Nebraska and Governor Bill Clinton of Arkansas – who are leading the six-strong field of Democratic aspirants – all agree *that the US is falling* behind its international competitors, that it is time to spend more money at home on education, infrastructure and health care, and that Americans are watching their standard of living being slowly eroded, compared with that of Germany and Japan.

The fourth candidate and a very long shot for the presidency, Mr Larry Agran, former mayor of Irvine, California, goes even further: he would cut the US defence budget by $150bn inside 12 months, using the money for job retraining, environmental protection, budget deficit reduction, high-speed railways, infant mortality programmes and cancer cures. *It* sounds extreme, but Mr Harkin is not far behind.

He is all clenched fists and gnashing teeth. He bellows that he is of the old-fashioned mould of President Franklin Roosevelt and the late Vice-President Hubert Humphrey. He talks tough on trade, railing against the proposed North American Free Trade Agreement with Mexico on the grounds that it will turn the US into a low-wage economy. He has no qualms about attacking Europe and Japan. "They call me a protectionist. Well, lah-de-dah. I am proud to defend America," declares Mr Harkin, *to* applause.

Mr Kerrey may flash the Robert Redford-style smile but he, too, has an iron bite when it comes to trade. He draws cheers when he promises to prise open Japanese markets. He also *flirts* with *old-style* industrial policy, declaring that Mr Bush's refusal to pick winners is a "do nothing" policy which ends with Japanese companies winning, US companies losing and America turn*ing into a low-wage economy.*

But, aside from a pledge to bring health insurance to all Americans, Mr Kerrey is short on specifics; he ends with a limp appeal for help in making America great again.

By contrast, Mr Clinton's is a polished act. He reels off statistics with the confidence of a man who claims once to have read 300 books in a year. The US, he says, has fallen behind in education, manufacturing jobs, and many other recognised measures of a country's long-term strength – but the US has achieved one notable first: "We have passed the USSR and South Africa as having the highest percentage of our folks behind bars."

The governor is more confident about preaching the virtues of free trade and open markets. Instead of talking about retaliation against Japan, he points out that most of the trade imbalance (which could be as high as $80bn next year) is due to Americans' *taste* for driving Japanese cars. He also notes that the US is about to move into trade surplus with South Korea, albeit Seoul is another favourite target of the tough trade lobby.

As governor of one of the poorest states in the Union, Mr Clinton has clearly learnt something about the value of foreign investment.

At the end of the evening, there was little doubt that Mr *Clinton* had *outgunned his* opponents. He is also more conscious than his rivals of the need to appeal beyond a liberal constituency in order to have a chance of beating Mr Bush next November.

Mr Clinton also knows that he needs liberal votes to get through the early primary races, and he faces an uphill struggle against a well-organised Mr Harkin in South Dakota. The High Plains state ranks as an early test for Democratic hopefuls in the Mid-West. Pundits have already discounted the Iowa caucuses as a certain Harkin win.

On humour alone, Mr Clinton would appear to be a strong runner. On Saturday night, he raised the biggest cheer when he recalled Vice-President Dan Quayle's promise to be the pit-bull dog of the Republican campaign. "My," said the Arkansan, "that's got every fire-hydrant in America worried."

Governor Bill Clinton: Well-read, full of statistics and with a nice line in Quayle-baiting

IMF chief set to back Argentina's reforms

By John Barham in Buenos Aires

MR Michel Camdessus, International Monetary Fund managing director, is to arrive in Buenos Aires today for a fleeting visit, during which he is expected to endorse again Argentina's economic reforms and confirm that it will be able to begin drawing on a three-year, $3bn loan from the fund in the spring.

He stated last week that Argentina should be able to convert its current one-year $1.04bn stand-by facility into a three-year extended fund facility (EFF) loan to help finance a reduction of its $35bn commercial bank debt.

However, optimism over *Argentina's reforms does not* quash concern that it strengthen its public finances. Argentina has run monthly budget surpluses since the stand-by programme began in August, but this is due to privatisation receipts rather than tighter control of spending or increased revenues.

Private economists say Mr Domingo Cavallo, economy minister, met his third-quarter budget surplus target of $841m by manipulating government accounts and raising $700m (40 per cent more than targeted) through privatisations.

They add that the $1.43bn fourth-quarter budget surplus target is unattainable. However, IMF officials now seem to *believe that the government* can meet this target.

Police arrested in business kidnap cases

By John Barham

ARGENTINA'S federal police have arrested six of their own members, three retired army officers and two civilians, all suspected of having extorted $15m in ransoms through kidnapping businessmen.

President Carlos Menem, hailed what he called the biggest breakthrough against organised crime since he took office in 1989. He said the arrests showed the police were able to purge themselves of criminal elements.

The alleged kidnappers include three high-ranking police officers, one a former bodyguard of ex-President Raúl Alfonsín.

There is concern at the extent of support the suspects had in the security apparatus.

They are thought to have begun operating under the 1976-83 military government, during which security forces were given *virtual free rein to* detain, torture and murder the regime's political opponents. *It* was only a small step for officers to begin kidnapping businessmen for profit.

Other, similar gangs have been disbanded since the return to democracy in 1983.

Argentine police are also investigating a gang of bank robbers showing military-style precision. Officials have hinted that these paramilitary criminals may be linked to army rebels who have led four mutinies since 1987.

Major seeks wider opt-out clause at Maastricht

MR JOHN MAJOR will use a meeting with Chancellor Helmut Kohl today to underline British opposition to any new "opt-out" clause on a single European currency that would confine the option to Britain alone, writes Ivo Dawnay.

As German officials in Brussels indicated that Bonn wishes to see new wording in treaty texts limiting the exemption to the UK, Downing Street made clear that the UK was anxious to retain a general clause in the treaty amendments on economic and monetary union (Emu).

The re-emergence of difficulties on Emu came as the UK prime minister was preparing for a new round of whistle-stop EC diplomacy in meetings today with Mr Giulio Andreotti of Italy in Rome and the German chancellor in Bonn.

His aim is to spell out to Britain's EC partners that last week's Commons debate has tied his hands on several of the most controversial issues still outstanding before next month's Maastricht summit.

Mr Major will tell both leaders that his government is working for an agreement and ready to discuss compromises on several aspects of European political union, including more powers for the European Parliament.

He will add, however, that his own Conservative party remains doggedly opposed to any substantial concessions on a Community-wide social charter of employment rights and to any reference to a "federal goal" for the EC.

Downing Street said last night the government was anxious that there was no radical rewriting of Dutch draft treaty texts on economic and monetary union that offered a general let-out clause on the long-term aim of a single European currency.

Admitting that Emu remained "one of the most difficult areas" of the negotiations, officials said a general clause was preferable to any alternative that singled out Britain.

It was acknowledged, however, that the Dutch presidency is under pressure from other member states to find a form of words that would prohibit Germany from choosing to exempt itself from the single currency goal when the final decision has to be taken.

For its part, the British government fears that wording tailored exclusively to allow a UK exemption will lay the government open to criticism that it is choosing to take the slow-lane in a two-speed Europe.

Yesterday, Mr Neil Kinnock, the Labour leader, levelled just such a charge when he claimed that the Tory government was being "dragged along" by its European partners rather than participating positively in moves towards closer EC union.

Labour rejects referendum on EC

By Ivo Dawnay, Political Correspondent

MR NEIL Kinnock, the opposition Labour Party leader, yesterday rejected a referendum on further European integration, describing the proposal as a "dilemma by-pass" aimed at exempting Westminster MPs from taking difficult decisions.

In his first statement on the referendum controversy, Mr Kinnock said that it would be impossible to find an appropriate single question that adequately encompassed the complex issues facing Britain.

If the formula chosen centred simply on whether the British people wished to stay in the European Community or withdraw, it was clear they would vote to stay, he said. "A referendum is not the way to decide the future of Britain," he argued.

His comments, closely reflecting the views of the Tory leadership, came at a Westminster press conference aimed at contrasting Labour's "positive" approach to EC issues compared to the negative posture of the ruling Conservatives.

In challenging the Tories to explain their alternative to Labour's vision of closer European collaboration, Mr Kinnock said there were now only two choices for Britain. "One is the flotsam and jetsam option, to be washed along in the wake of the decisions of others...the other is to get a firm hold on the process of change and to propel it instead of being dragged along behind it," he said.

COUNTDOWN TO MAASTRICHT

The Labour leader went on to cite his party's support for the EC's extension of qualified majority voting to social issues, alongside its readiness to negotiate goals for convergence of the EC economies and more powers for the European Parliament as key differences with the government.

Questioned on whether he would follow the government in requiring an "opt-out" clause for the UK on monetary union, Mr Kinnock declined to give a clear answer, however. He argued that the question of Britain going forward to a single currency would arise further in the future.

"There is no question of a British government undertaking movement to european monetary union without consulting the parliament of the United Kingdom," he replied.

Mr Kinnock also dismissed opinion poll findings indicating ambivalence among electors over the wisdom of proceeding further down the path to closer integration. Polls had found that people also opposed any question of UK withdrawal from EC membership, he pointed out.

"It is well understood we cannot be half in and half out," he added.

Asked if Dutch treaty texts now under discussion on a European Central Bank offered enough political accountability, the Labour leader replied that the management of economic policy would remain with individual countries which would retain fiscal decision making at parliamentary level.

The idea that the proposals under discussion in the intergovernmental conferences represented a diminution of sovereignty was "nonsense."

Mr Kinnock was also dismissive of the controversy over whether Europe should adopt a federal goal. "We have made it clear that we are extremely hostile to any idea of a European-superstate. There is no prospect of such a state developing," he said.

Pressed later on whether Labour could accept the word "federal" in a treaty text, he replied: "I think it would be useful if it were clarified and less of a distraction if it were dropped."

Earlier, Mr Kinnock had added that his own acceptance that Britain's destiny was in Europe had come even before the 1983 general election in which Labour fought on a platform advocating British withdrawal. He justified his stand then as following official party policy.

● Mr Michael Howard, employment secretary, said that the government may be powerless to prevent the implementation of the European Community's social charter in the UK, pointing out that the matter would be decided by the EC's system of qualified majority voting.

Achim Achenbach

Neil Kinnock: seeking positive image on European union

Officials failed to alert DTI over Iraqi 'supergun'

By Neil Buckley and Ralph Atkins

OFFICIALS from Britain's Department of Trade and Industry (DTI) insisted yesterday that they were not fully briefed about the Iraqi "super gun" project until March last year, even though other government departments are known to have had details before that date.

The project involved Iraqi attempts to buy components from Sheffield Forgemasters, a steel tubing company in northern England, for a long-range artillery weapon. The export of eight sections of steel tubing, manufactured by Sheffield Forgemasters, was foiled by customs officials on March 3, 1990.

The DTI had thought the pipes were for a petrochemical project and decided the company did not require an export order when the original contract was examined in 1988.

Mr John Meadway, head of the DTI's overseas trade division told a House of Commons' select committee on trade and industry that officials had been on "the receiving end of a very sophisticated deception operation which partially succeeded".

The department had been alerted in general terms to an Iraqi project code named "Babylon" in November 1989 but was not told the precise nature of the project, he said.

The Ministry of Defence (MoD) and the intelligence services, however, are understood to have been aware both of the existence of Project Babylon, and that it was a for a long-range gun, as early as autumn 1989.

Then, directors of Astra, a British munitions company, met a senior official at the MoD's Defence Export Sales Organisation and told him they had discovered that PRB, a Belgian ammunition company it had just taken over, was working on an Iraqi order believed to be for "unusual types of propellants for a very large gun."

Although the MoD was alerted to the nature of Project Babylon, the DTI was unaware of Sheffield Forgemaster's involvement until customs officials seized the steel tubes in 1990.

Mr Meadway said the warning his department received of Project Babylon in November 1989 was insufficient to prompt it to re-examine previous exports to Iraq, but was merely to "keep an eye open".

The MoD said the tubes had no obvious military use in spite of a warning from Sir Hal Miller, a Conservative MP, that the manufacturers feared the tubes might have such a purpose.

Mr Meadway admitted the the affair had highlighted flaws in procedures for checking export licence applications.

Big retail food chains challenge Sunday law

AT least three leading food supermarket chains plan to open their stores in England and Wales on the four Sundays before Christmas, posing the toughest challenge yet to Sunday trading laws, write Guy de Jonquières, Robert Rice and John Thornhill

Tesco, which led the move, said yesterday that most of its 376 stores in England and Wales would open. Safeway plans to open "the vast majority" of its 316 stores, while Asda said more than 100 of its 180 stores would open.

J. Sainsbury said its board was urgently reviewing its position and would decide shortly how to respond.

The Home Office said that it had no plans to suspend the Sunday trading law before Christmas, and that it should be obeyed until acceptable reforms could be found.

Stores violating Sunday trading laws can be fined up to £1,000 per offence. However, enforcement varies widely and depends on individual local authorities, some of which have recently sought High Court injunctions against offenders.

But this tactic was undermined by a Court of Appeal ruling in April that injunctions should only be granted if local authorities were prepared to compensate retailers for loss of business in the event of the injunctions being overturned.

That ruling is due to be reviewed by the House of Lords.

The European Court, meanwhile, is also considering whether the 1950 Shops Act, the basis of Sunday trading restrictions, is compatible with the Rome Treaty.

Lex, Page 14

UK censured for ban on Spycatcher book

By Robert Rice, Legal Correspondent

THE government was found guilty yesterday of breaching the European Convention on Human Rights in attempting to ban the press from publishing extracts from, Spycatcher, the memoirs of Mr Peter Wright, a former intelligence officer in MI5.

The European Court of Human Rights in Strasbourg ruled unanimously that the government had violated article 10 of the Convention, which guarantees freedom of expression, by banning the Observer, the Guardian and the Sunday Times newspapers from writing about the Spycatcher affair after the book had been published in the US in July 1987.

By a majority of 14 to 10, however, the Court ruled that the government had been justified in banning the Observer and the Guardian from publishing potentially sensitive material before the book became widely available.

The government had sought to gag the three newspapers on the grounds of national security. Each of the newspapers was awarded costs of £100,000. The five-year legal battle is estimated to have cost £3.5m.

Mr Andrew Neil, editor of the Sunday Times, said the government would have to take press freedom much more seriously. "The ruling will lead to a reassessment of the use of gagging injunctions in Britain to inhibit the Press.

"It leaves the government in no doubt that Article 10 is now the yardstick by which the actions of the Government and the courts are going to be measured."

The judgment brings the total number of violations recorded against the UK since it ratified the convention in 1966 to 28.

Council spending to be capped as government sets local tax

By Alison Smith

THE average bill in England for the last year of the controversial poll tax, the local charge to pay for services and amenities, will rise by 6.9 per cent provided councils spend according to government plans, it was announced yesterday.

The Labour Party dismissed the figure – which compares with the current inflation rate of 3.7 per cent – as the result of a "fairy tale exercise", and warned that this would mean cuts in services.

The local authority associations reacted with particular strength to the wide implications of the "capping" proposals, attacking them as a serious erosion of local democracy. This is the first year that all councils, including those with annual budgets of less than £15m, have come within the capping rules.

The government's target figure of £242 for the average English poll tax this year has actually been £251: ministers say the overshoot comes partly from overspending and partly from local authorities' charging more to compensate for non-collection of the poll tax.

In a statement setting out the allocation of government grant for local authorities, Mr Michael Heseltine, the environment secretary, emphasised that next year's figures for support for local authorities distributed by central government would rise by 7.2 per cent to £33.1bn.

Some £12.3bn of that will come from the uniform business rate, increased by 4.1 per cent next year.

Although the total of £41.8bn in the government's estimate of council spending is indeed an increase of 7.2 per cent over this year's figure, it represents a proposed increase in actual spending of only 4.8 per cent. Councils say that local government inflation is running at 7 per cent.

The capping criteria, which include new targets for the councils coming within the rules so that even those overspending by large amounts can avoid capping if they themselves cut their budgets, were "tough but manageable", Mr Heseltine said.

Mr Bryan Gould, the opposition environment spokesman, said: "Poll tax bills will be far higher than they have claimed, but at the same time, councils across the country are being forced to make deep cuts in much-valued services."

Editorial comment, Page 14

Walker to head Treuhand in UK

Former minister to advise on investment, writes Roland Rudd

MR Peter Walker, the former Conservative cabinet minister, is to take up a part-time post encouraging British commerce to invest in eastern Germany.

He had been approached by the German Chamber of Commerce in London to be the representative of the Berlin-based Treuhand privatisation agency.

The agency was concerned that British companies have not shown much interest in acquiring some of the 6,000 state owned assets for sale.

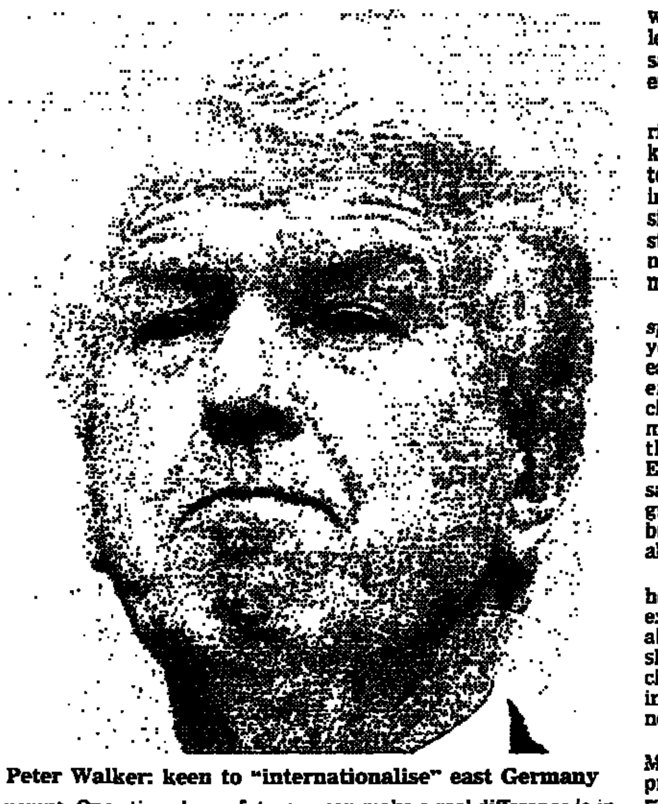
Mr Walker said yesterday that it was understandable that most of the 4,000 companies sold by Treuhand had gone to west German companies.

But one reason he says he decided to take up his post was that the Treuhand made it clear how keen it was to "internationalise" east Germany.

In deciding whether to accept a bid for a state-owned company the agency will take into account both the price and the business plan of the potential purchaser.

But, said Mr Walker, such is the desire of the Treuhand to attract more British investment that, if a British and German company compete for the same asset, the UK bid would be treated very sympathetically. It is not, he said, impossible for a UK company to buy an east German asset after offering less than a west German company.

Mr Walker retired as Welsh secretary in 1990, having served as Mrs Thatcher's longest serving cabinet minister. He had previously served in the departments of energy, trade and industry and enviro-nemnt. Once tipped as a future prime minister he was a self-made millionaire by the age of 30.



Peter Walker: keen to "internationalise" east Germany

In his new appointment he says that does not intend to be a salesman. As far as he is concerned, there are two good reasons for UK companies investing in Germany – it is both politically and economically secure, and it offers a springboard to eastern Europe.

Where Mr Walker feels he can make a real difference is in persuading financial advisers, such as merchant banks and stockbrokers, to bring to their clients attention the opportunities which exist in investing in east Germany.

Most of Mr Walker's time is spent in corporate finance as a director of Smith New Court. He was brought in by Sir Michael Richardson, chairman of Smith New Court and vice chairman of NM Rothschild, which was the government's lead adviser on energy privatisation when Mr Walker was energy secretary.

He can claim practical experience of the east German market. As a non-executive director of British Gas he was involved in the company's decision to purchase a 5 per cent stake in Germany's Verbundnetzgas, the former east German Gas distribution company.

The UK utility plans to *spend £250m in the next five* years upgrading the former east German gas grid to western standards. It also purchased stakes in two east German gas distributors through the Treuhand. Mr Robert Evans, British Gas's chairman, said Mr Walker's "wide background and experience as a businessman" has been invaluable to the company.

Detractors of Mr Walker say he has not had enough recent experience of the City to be able to judge how strong he should make his pitch to financial advisers without overselling them something they do not really want to hear about.

The businessman who knows Mr Walker best, Mr Jim Slater, prefers to keep his silence rather than talk about the man with whom he established Slater Walker in 1963. Mr Walker left seven years later, when he became a government minster and some time before the company's crash in 1975.

But in Mr Slater's autobiography he writes that he believed Mr Walker to be "particularly good at gauging what other people outside the company would think of any proposed course of action".

Regulator seeks reform of financial reporting

AT LEAST 10 listed companies have been reprimanded this year for producing accounts that failed to meet financial reporting standards, according to the Financial Reporting Review Panel, the enforcement arm of Britain's new accountancy regulation body, **writes Andrew Jack.**

A further 220 companies have been warned for failing to state that their most recent set of annual accounts was prepared in accordance with accepted accounting practice, as they are required to do under the 1989 Companies Act.

The details emerged as the Financial Reporting Council (FRC), the accountancy regulator for the UK, concluded its first annual report with a call for a radical overhaul in the state of financial reporting by British companies.

It urged far greater and clearer disclosure of financial information by companies, and strengthening the role of auditors, while stressing that responsibility for accurate reporting remains in the boardroom.

"Confidence in the high standard of reporting by the majority has been damaged and undermined by the small minority," says Sir Ron Dearing, chairman of the FRC.

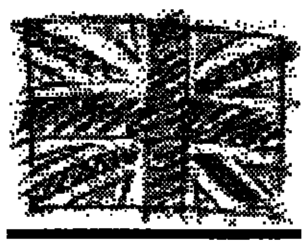
He added: "The purpose of accounts is to inform reliably. We want people to be able to readily see what is going on in a company. There will be a great strengthening of accounts over the next 18 months."

During consultations over the past few months, the FRC found widespread disquiet about many aspects of accounting. The report also argues for progress towards harmonising British accounts with international standards.

It recognises that there is conflict between the desire of investors, creditors and employees for more information in accounts, and the competitive disadvantage a company could face as a result of more disclosure.

The State of Financial Reporting: A review. November 1991. Financial Reporting Council, Holborn Hall, 100 Gray's Inn Road, London WC1X 8AL. Free.

BRITAIN IN BRIEF



Asil Nadir declared bankrupt

Mr Asil Nadir, chairman and former chief executive of Polly Peck International, the collapsed fruit-to-electronics group, has lost a year-long fight to stave off personal bankruptcy.

An order declaring Mr Nadir bankrupt was made by Mr Registrar Scott after Den Norske Bank lodged a petition alleging debts of £1.45m on a loan guaranteed by Mr Nadir.

One immediate consequence of the bankruptcy is that Mr Nadir will probably now have to give up his remaining directorships in the UK.

The Den Norske application apparently took the administrators by surprise but nine creditors from an earlier bankruptcy action against Mr Nadir joined the new action once it became known, bringing his debts to over £90m.

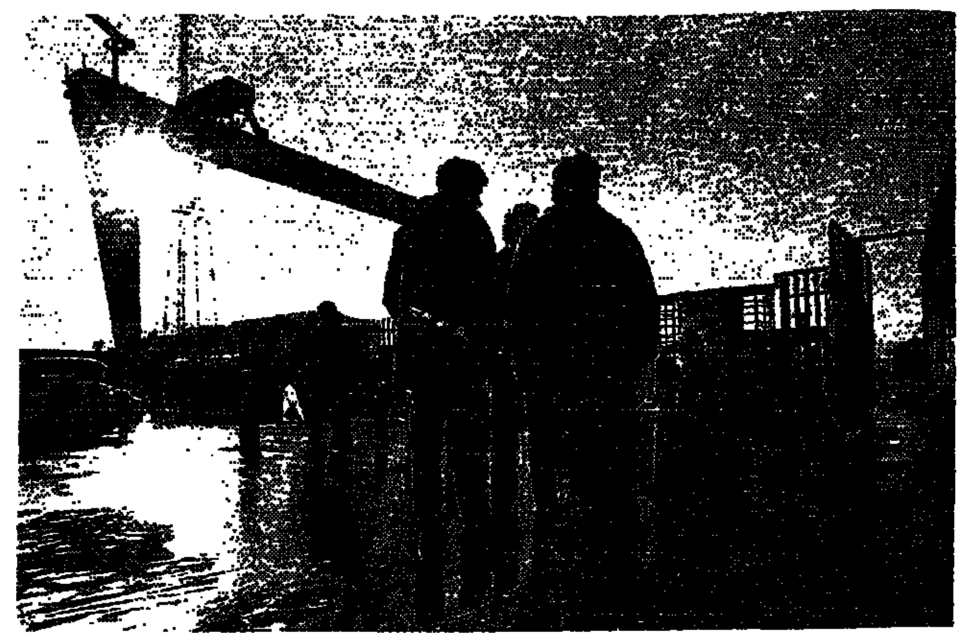
Tube workers face job cuts

Nearly a quarter of London Underground's workforce of 21,000 is to be axed over the next three years as part of an unprecedented drive to increase the network's efficiency.

The effect will be to put the Underground on a profitable footing by 1996 and could open the way to its ultimate privatisation.

About 5,000 jobs will disappear by 1995. The Underground expects most of the cuts to be achieved through natural wastage and voluntary redundancy, but some are likely to be compulsory.

Many of the jobs will go through the contracting-out of services such as train and station cleaning, leading to the creation of new jobs in the private sector.



JOB CUTS: Harland and Wolff, the Belfast shipbuilder (above), has announced 300 redundancies just three months after the company announced an order for six bulk carriers worth £223m. A company spokesman said: "The redundancies reflect company strategy established at the time of privatisation and mark a move away from the construction of sophisticated one-off vessels."

Ford workers vote for deal

Manual workers at the UK subsidiary of Ford, the motor manufacturer, have voted by more than four to one in favour of a deal which will give them their lowest pay rise for more than a decade.

Although a vote in favour of Ford's proposed deal had been expected, the size of the majority will please the company. This is the first time in many years the company has concluded a pay deal without facing at least one strike ballot.

Concern over European trade

Sir Denys Henderson, chairman of ICI, Britain's biggest manufacturer, has expressed concern that "political manoeuvring" over the future of the European Community has taken precedence over continued efforts to eliminate European trade barriers.

Speaking at a conference in London, Sir Denys's said completion of the single market was vital for European business, as it would help to increase competitiveness.

Sir Denys also said he was worried by signs that Japanese companies were "increasing their technological leadership" over the US and Europe.

EC prosecutes UK over water

The UK government is to appear before the European Court of Justice in Luxembourg accused of failing to ensure that drinking water in parts of England meets EC standards for nitrates.

This is the first time that the UK has been prosecuted by the EC Commission over drinking water. The Commission is claiming that Britain is in breach of the drinking water directive because some supplies have exceed the permitted level of nitrates. The British Government has had long exchanges with Mr Carlo Ripa di Meana, the EC Environmental Commissioner, in an attempt to avoid the case going to the European Court.

Falklands group may be sold

Anglo United, the UK fuel distribution group, wants to sell The Falkland Islands Company and its associated businesses on the south Atlantic islands.

Anglo acquired the Falkland companies as part of its £478m ($855.62m) takeover of the much larger Coalite group in 1989. The British Foreign Office said the potential disposal was "a purely commercial decision".

Iranian export deal likely

UK exporters are expected to win contracts from Iran after efforts to settle an estimated £200m in arrears owed to Britain by the former government of Shah Reza Pahlavi.

New trade links, which may follow a visit to Tehran by a delegation from the UK's export credit agency, could include contracts for petrochemicals, power generation and refineries, mining, dams and oil installations.

Nissan UK could close

Mr Octav Botnar, chairman of Nissan UK, has acknowledged that the company could soon be forced to close. The company, which has distributed Nissan cars in the UK for the past 21 years, was served notice of termination by the Japanese manufacturer earlier this year after a series of rows.

Vashe zdorovye

Sotherby's has held an auction of rare Crimean wines from the Massandra vineyard of the Tsars. Three bottles of 1891 Livadia Red Port, reserved for Imperial consumption, sold for £10,450.

FINANCIAL TIMES SURVEY

WEST YORKSHIRE

Wednesday November 27 1991

West Yorkshire's location on the M62 near the east Pennine crossroads of northern Britain, and its mix of industry and commerce, offer good prospects for the region in the single market. First, however, businesses damaged by the recession will have to survive, writes Ian Hamilton Fazey

Very little certainty

TIMES ARE fraught in West Yorkshire, a county of 2m people and one of the main engines of northern England's economy.

The recession arrived late and selectively, but just when many companies were beginning to hope they might escape, it is biting again. There is edginess everywhere, because the only certainty is the unpredictable patchiness of both hurt and healing.

Sales forecasting has gone out of the window in many companies. Managements which developed just-in-time production techniques to save their industrial customers from carrying stock, have seen them exploited beyond reasonable limits by sporadic demand. One month the order book is full, the next it is empty, with no prospect of revenue to cover overheads.

"Just-cancelled-in-time has also been a factor," says Mr Lindsay Mackinlay, a director of the Henry Barrett Group and of Bradford & Bingley Building Society. "There is no certainty. Many businesses are living from hand to mouth."

It has become impossible for most to plan even six months ahead. "Profits have been knocked sideways, so all new investment is on the back burner," says Mr Brian Bigley, regional director of the Confederation of British Industry for Yorkshire and Humberside.

Paradoxically, this is not entirely bad news, for the very survival of the bulk of industry and commerce in West Yorkshire says much about its previous state of financial fitness.

Moreover, the local economy is well mixed, both by sector and company size, so there is a natural resilience. Indeed, about 40 per cent of nearly 200 quoted companies in the M62 corridor between Liverpool and Hull are in West Yorkshire.

Mr Tom Speir, chairman of the Leeds-based, northern operations of Goddard Kay Rogers, the head-hunter, says local control of so much of West Yorkshire industry has given it the chance to save itself, where a branch economy would have been powerless against life-or-death decisions taken from afar.

The consensus is that people have learnt lessons from the recession of 10 years ago when a painful restructuring was forced on northern England in the wake of widespread manufacturing closures.

Combined with what Mr Richard France, a property consultant with Edward Erdman, says is "natural Yorkshire resistance to hype", this helped ensure that there were few local bubbles to burst when those of London and the south-east went pop.

Mr Bigley says sectors hit most are construction, building supplies, engineering where it services the automotive industry, and some printing companies, although other printers are thriving.

He says the chemicals sector is in fair shape; food, drink and confectionery are holding their own; wool processors are busy but fabric makers are struggling; the clothing industry is facing another attack from cheap imports, but patchiness, rather than a pattern of either general success or failure is the main feature of the textiles sector.

Improved export sales provide the one positive general pattern that Mr Bigley and other industrial leaders see, although there is a growing worry about slowdown in the German economy, where most of the orders come from.

Many businesses appear to have gone into the recession with prudently hoarded cash reserves. Others which were highly geared – and not intrinsically sound enough to persuade local venture capitalists to help them swap debt for equity – collapsed as cash flow slowed.

The lessons of yesteryear have helped many to survive. "The area has bucked the recession to some extent because the better and more stable businesses were already survivors and knew what they should do," says Mr David Courtman, of the Leeds branch of Singer & Friedlander, the merchant bank.

They started cutting to the core early to safeguard vital corporate organs, closing or selling peripheral subsidiaries and shedding labour sooner than last time, instead of trying to save jobs until it was too late to save themselves. They slashed investment, stopped planning ahead and battened down to ride the storm, using cash reserves to even out dips in the order book.

However, most agree that if the situation is not desperate, it is at best finely poised. Cash reserves are nearly exhausted and even those who scent recovery cannot get working capital from their bankers to chase sales.

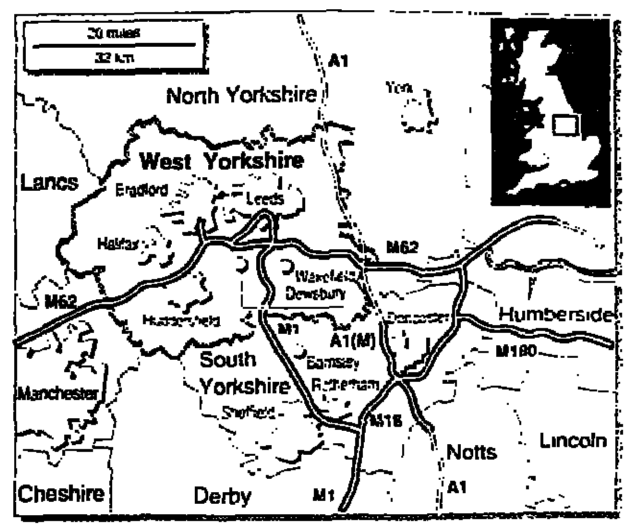
Symbol of a more confident era: Titus Salt's Congregational church, Saltaire village

All this in an area which has "bucked the recession".

What happens next is crucial to northern Britain. West Yorkshire shares with Greater Manchester, its transpennine neighbour, the job of leading the upside of the economic cycle. Together, they form the heart of the northern economy, with nearly as many people as in Scotland between them.

The north's chances of becoming a European super region as the single market unfolds from 1993 depend greatly on how they each recover.

Fortunately, a longer view is possible from public sector bodies, such as local authorities, universities or polytechnics, or nationally-backed financial and professional service providers, because theirs is not a day-to-day struggle for life.



One of the strengths of West Yorkshire has long been its scattered urban communities of Leeds, Bradford, Halifax, Huddersfield, Wakefield, Dewsbury and Morley. However, Leeds – with ¾m people – has size on its side as the regional capital of Yorkshire and Humberside and is developing a 25-year view.

It is in Leeds that the region's financial and professional services – lawyers, accountants, merchant and international bankers, consultants and investment capital providers – have gathered in their tens of thousands, most of them armed with total local autonomy.

It is no accident, for example, that the largest office of Scottish Life outside Edinburgh is in Leeds. In an astute move, the company has even recruited Mr Ian McGeechan, the Scottish and British Lions rugby coach, whose mother comes from Morley, into the local management.

The city is at the pivot of the M62, M1 and A1, with commensurate economic leverage. Liverpool, Newcastle and Nottingham are all 100 minutes or fewer away by road. Greater Manchester, the north's capital and armed crucially with Europe's fastest-growing airport, is 40 minutes distant.

The Humber ports, often described as the north's gateway to Europe, can usually be reached in under an hour.

Leeds this month decided to take a realistic view of the Channel tunnel, seen as too small and too difficult to reach as a result of under-investment by British Rail.

The city is joining Dublin, Liverpool and Hull to promote the virtues of the motorway network and the Humber, which handles more unitised freight for northern European markets than the tunnel ever will.

However, this is tomorrow's jam. Mr Paul Jagger, regional secretary of the Trades Union Congress, says he is braced for yet more job losses. Mr Peter Scaman, of KPMG Peat Marwick, says there are good deals in the pipeline for mergers, acquisitions and buy-out specialists, but both he and Mr Michael Frank of County NatWest agree they take months now, rather than the weeks of two years ago.

Long term, there is no problem with the vision. Mr Colin Fell, managing partner of property specialist Bernard Thorpe, says Leeds office rentals are holding at £20 a sq ft and forecasts under supply. Mr John Tysoe, managing director of Yorkshire Electricity, is planning for faster economic growth than the national average in the next five years.

The difficulty is ensuring that industry and commerce can get through the recession to deliver the benefits, a process which is not entirely in West Yorkshire's hands.

■LEEDS: greater coherence in approach to development strategies

Royal Armouries plan offers protection

LEEDS this year pulled off one of the most significant coups in recent industrial development: it stole the Royal Armouries from Sheffield.

The armouries, which are presently housed in the Tower of London, have been looking for space for several years. Much of their collection of historic weapons and armour goes unseen because there is no room to show it and visitors to the Tower are usually more interested in the crown jewels.

Sheffield was within days of winning their relocation to an out-of-town site near the M1 when Leeds made its pitch. Mr Guy Wilson, master of the armouries, had only one hour available, but what he saw of the Clarence Dock on the River Aire, a few minutes walk from Leeds city centre, was enough.

The £35m project is almost certain once funding details have been settled. The Royal Armouries will be housed in a waterfront museum near new links to the M1 and M62 motorways. About 1.3m tourists are expected each year.

Leeds' triumph marks a coherence of approach that looked unlikely when the government forced a development corporation on Leeds in 1988.

The Labour-dominated Leeds city council did not want it. Mr George Moody, then leader, set up the Leeds City Development Company (LCDC) as an alternative, claiming £400m of private sector support.

One argument was that the city did not need a government quango such as Leeds Development Corporation (LDC), when it was developing well enough on its own. As elsewhere, the issue was seen as in terms of political conflict between central and government.

Changes since then have made it increasingly difficult for local authorities to operate trading subsidiaries, while some of the people in crucial positions have changed, notably the council's leadership, where Mr Jon Trickett is in charge.

At the same time, the onset of recession made large-scale speculative property development by the potential backers difficult, while the LDC has shown that it could work where the city had failed.

The LDC has powers of compulsory purchase to force development or land assembly or both. It is its own planning authority. It has money to improve infrastructure and open up under-used land assets in a way that the city could not as the government increasingly circumscribed local authority freedom of action.

Stuart Kenny: 'It needed some pragmatic leadership'

Leeds' fundamental problem is that railway, river and canal bisect its centre from east to west. Rapid growth of the city centre to the north of the railway, which is elevated, had quite literally turned the south city centre into the wrong side of the tracks.

Running through this run-down, potential southern wasteland was the waterfront of the Aire and Leeds-Liverpool canal, which was unexploitably blocked by the city's heritage of the industrial revolution in the shape of old mills and warehouses.

The Tetley brewery was south of the river. Asda, the supermarket chain, broke into the area with its new headquarters and Barratt, the construction group, was building some yuppie housing shortly before the LDC was set up. But prospects were slowed by a combination of local and national bureaucracy.

"On one site, the developer had been trying to get planning permission for seven years. Too many people were trying to decide the heritage issues involved," says Mr Stuart Kenny, the LDC's marketing director. "It needed some pragmatic leadership."

The LDC has proved itself by speeding things up. Minor projects such as opening arches under the railway have improved access to the waterfront, where some derelict warehouses have been converted into a hotel and restaurants.

The threat of compulsory purchase by the LDC on some city-owned sites galvanised the LCDC into developing them, as well as forcing a negotiated sale by one large public sector landowner. A rash of small or medium-sized projects got under way, many with end-users signed up and most by local developers, so that the national recession in property development seems to have had little impact.

By a process of accretion, rather than grand-design flagship projects, 2.5m sq ft of developments have been completed, with another 1.9m sq ft under construction or consented to. The effect has been to expand the city centre and open it up for further development to its south and southeast.

John Siddall: everyone has to work together

Mr Martin Eagland, the LDC's chief executive, says that 6,300 jobs have been created or relocated into the area at a cost of £3,966 each in public funding. This compares with a £38,000 national average for development corporations.

Early antagonisms seem to have evaporated. Labour leaders understandably complain about the LDC's lack of local accountability, but this appears ritual rather than genuine, for the city leadership has developed a reputation for pragmatism too.

The LCDC still exists, but at arm's length from the council and operating a mixed portfolio of small projects. The biggest development in Leeds is a government one: the new headquarters for the relocation of the departments of Health and Social Security out of London, a 400,000 sq ft block designed by the renowned architect Mr Terry Farrell, which is being built on city-owned land by Norwest Holst.

Most the of the city's effort goes into the Leeds Development Agency and there is a recognition of mutual dependence with the LDC.

"We have to work together. Stuart Kenny cannot sell sites to developers unless he first sells Leeds as a location," says Mr John Siddall, the city's economic development officer.

Working together goes beyond co-operation. The city council, the LDC and the chamber of commerce are the main players in the Leeds Initiative, a partnership of public and private sectors that brings in expertise from the city's university and polytechnic.

The LDC made the first approach to the Royal Armouries, but it was the Leeds Initiative which concluded the sale. The strategic value of the relocation will be immense, but Leeds would have had no chance if the LDC had not opened up the area first.

The government has just extended the LDC's life to 1995. The Royal Armouries is due to open in Leeds a year later. Mr Eagland wishes the LDC could live to see the day, but by then the other supporters of the Leeds initiative expect to be able to carry on without it.

Ian Hamilton Fazey

■WAKEFIELD: a crossroads in the east Pennine region

Filling the holes left by pit closures

WAKEFIELD'S success in attracting inward investment through its crossroads position in the east Pennine region faces a significant challenge if it is to bridge the gap with the European transport system.

The decision, taken in December 1990 by Railfreight Distribution, BR's subsidiary handling international and intermodal traffic, to site the UK's first terminal for Channel tunnel traffic at Normanton near Wakefield, was a milestone in the region's efforts to forge an image of industrial accessibility.

A public inquiry as been called into the decision, which was made in preference to a nearby site in Leeds, and the hearings will begin in March. Meanwhile, further anxiety has been caused by the government's announcement that the Channel rail link will take the east London option.

There are fears in West Yorkshire that choosing the most expensive route will delay the completion of the vital link and even put in jeopardy the final connection between Stratford and Kings Cross.

The situation has not been improved by British Rail's announcement that it is to bypass Leeds and Wakefield from its network for direct passenger services to the Channel tunnel and beyond.

It is a measure of the self confidence of Wakefield, and its outstanding record so far in attracting inward investment, that these developments have stimulated intense lobbying both regionally and in London and a determination to secure a gateway to Europe.

The area's confidence is more remarkable because the removal of the metropolitan county tier from local government has created a vacuum in strategic planning.

Wakefield has been one of the most dynamic authorities and is prepared to try and fill the gap.

The success so far of the region is explained by Mr Zenkichi Igarashi, managing director of Pioneer Electronics Technology (UK), which has recently opened its first UK audio visual equipment factory at Wakefield.

"We chose Wakefield because of its location, communications and ready availability of a quality workforce. Our Wakefield site is on the M62, half way between the interchanges with the M1 and the A1, so our suppliers can reach us in short time periods and we can export through the Humber ports."

Pioneer's £20m first-phase development, creating 500 jobs, was not the first but may be the most significant in Wakefield's recent history. Stimulated by the council's economic development unit, founded in 1987, and assisted with grants under its status as a European Coal and Steel Area, Wakefield has made the most of an outstanding position.

Besides the outstanding road network, there are four airports within reach; with Leeds-Bradford just 45 minutes away along with Humberside, East Midlands, and Manchester one hour across the Pennines. The electrification of the east coast line has brought Wakefield to within 1 hour 45 minutes of the capital and 18 trains a day run direct: both ways.

Pioneer: location, communications and quality workforce

The road network brings a potential market of 7.5m people within one hour of the region and 20m people within two hours. These are some of the reasons why Pioneer chose Wakefield ahead of Barcelona, northern Spain.

Before Pioneer, Wakefield's biggest success was attracting Coca Cola and Schweppes Beverages (CCSB) with a £60m manufacturing plant which is the largest and most technically advanced in western Europe.

National and international companies drawn to Wakefield include Hewlett Packard, Panasonic UK, Thorn, Asda Distribution, Dunlop Slazenger, Nacanco, Britivic Soft Drinks and Karner Birnbaum, the Swedish plastics company, as well as home grown concerns such as Burberry's, Allinsons, and Sirdar and Warburtons.

The local council is keen to make sure that Wakefield's regeneration, crucial to a region which lost 16,000 jobs between 1984 and 1991 as the number of coal pits fell from 18 to three, is not dependent totally on inward investment.

The Wakefield 41 Business Park, located at the eponymous junction of the M1, has attracted significant business and financial service development, as has Wakefield city centre – a former administrative hub for local government.

McDonnell Douglas Information Systems, Northern Telecom, Yorkshire Water, Save and Prosper Bank, Kajima, the Japanese management contractor, and Barclays Bank are some of the concerns which have moved to Wakefield 41. The latter providing, it says, Britain's first regional electronic banking office providing direct access to best-money market rates.

It is the development of Port Wakefield, the Normanton freight rail depot, which is most keenly being watched as an indicator of future growth: not least by Pioneer, sited alongside the 300-acre site.

Wakefield council is determined that beyond the 20-acre terminal site there should be manufacturing, especially along the motorway frontages, and that central development should include a European Business Centre, a conference facility, and hotels. Beyond that will come distribution and warehousing development.

The dream of building the UK's first Channel tunnel rail freight village is central to Wakefield's ambition to place its crossroads image within the European context.

Jim Kelly

■ACADEME: a technical and scientific hot spot

Industrial origins

WEST YORKSHIRE'S two universities and two polytechnics are strong performers in subjects relevant to industry and business. This is a reflection of the four institutions' historic origins in a manufacturing area and of their willingness to accommodate and initiate change.

Bradford University, Leeds Polytechnic and Huddersfield Polytechnic have existed in their present guise for less than 30 years. But they, and Leeds University, granted its own charter in 1904, trace their origins to nineteenth century centres of technical and scientific education.

The four constitute a powerful academic presence within a single county and some of their experts are linked in various research projects. But, in keeping with an area where communities are proud of their individuality, each has its own distinctive flavour.

Bradford University

Granted a Royal Charter in 1966, its origins go back to the Bradford Technical College (founded 1882) and the earlier Bradford Schools of Weaving, Design and Building. Student total: 4,643.

Particular strengths include: the Management Centre, one of Europe's oldest business schools with more than 60 full-time academic staff. It includes the European Centre for Total Quality Management, largely industry-funded with a chair in TQM established with the backing of Exxon Chemicals and the Asia-Pacific Business and Development Research Unit. As well as its MBA programme the centre runs a wide range of other courses for managers and senior executives.

Peace studies: The department's subject areas include nuclear weapons policies, arms control and verification methods.

Applied social studies; headed by Prof Ruth Lister, former Child Poverty Action Group director. Researches into poverty.

Joint activities include: the Interdisciplinary Research Centre in Polymer Science and Technology, established in 1989, jointly with Leeds and Durham universities, with £10.6m from the Science and Engineering Research Council (SERC). The PICKUP Europe Unit (together with Spicer Oppenheim and South Bank and Leeds poly) to help other universities and colleges meet business training needs for the single market.

Huddersfield Polytechnic

Inaugurated in 1970, its roots go back 150 years to the founding of a mechanics' institute in the textile town. From 1884 this was expanded with a technical school. Student total; 8,700.

Particular strengths include: transport and distribution management: produces 35 graduates annually, almost one-third of the national total. Strong links with retail industry including Marks and Spencer. Marketing, specialising in textiles and technology. Human ecology, focusing on study of human beings and their impact on the environment. Chemistry, especially enzymology. Music, one of the country's largest music schools with 230 students. Organises the annual Huddersfield Contemporary Music Festival.

Joint activities include: Centre for Biotechnology; studying biotransformation, funded by SERC, Department of Trade and Industry and private sector. Research into water quality with Yorkshire Water.

Leeds Polytechnic

Formed in 1970 from seven Leeds colleges; the first was the Mathematics and Commercial School, founded 1845. Student total; more than 16,000 full and part-time and sandwich course; numbers have grown by 30 per cent since it became independent of local authority control in April 1989.

Strengths include: Leeds Business School with more than 5,000 students. This year awarded the franchise by the Institute of Directors to provide its diploma training courses for directors in Yorkshire and Humberside. The business school includes department of personnel management, designated a centre of excellence by Institute of Personnel Management. Activities include training employees of Rover.

Faculty of Information and Engineering Systems: includes the Centre for Advanced Research in Engineering, undertaking specific research for industry. Clients include Dunlop and Hewlett Packard. Recent projects include applying new computer modelling techniques to crash helmet design to improve safety. Faculty of Health and Social Care: Thermal Analysis Research Unit.

Joint projects include: Yorkshire and Humberside Regional Research Observatory (Rero) with Leeds University and regional bodies. Broad-based research on the region's economic and social performance and trends. Data analysis for businesses, investors, consultants and policy makers. Also Polymer science research.

Leeds University

Received charter in 1904; developed from Leeds School of Medicine (founded 1831) and Yorkshire College of Science (founded 1874). Student total: 13,000. One of Britain's largest universities and Leeds' third largest employer with nearly 4,600 employees, including more than 1,000 academic staff.

Particular strengths include: engineering: Britain's largest engineering faculty offering 20 degree courses including more unusual subjects such as fuel and energy, ceramics and dye and textile studies. Technology transfer programme for industry through two limited companies, University of Leeds Industrial Services, (ULIS) and Geographical Modelling and Planning (GMAP). ULIS, which generates £5m annual turnover, offers services from routine problem solving to collaborative projects and takes innovations to the market place. These include Cad-Cam Data Exchange Technical Centre (part funded by DTI, European Commission and 60 UK-based manufacturers), exploration mapping systems for oil and mining companies and Downs Syndrome screening.

GMAP, designs, builds and develops computer-based geographical market analysis systems. GMAP clients include W.H.Smith, Barclays Bank, Ford, Shell and Department of Health. The Centre for Plant Biochemistry and Biotechnology aims to solve specific global problems including crop infection. Dye and colour chemistry; course endowed by Clothworkers' Company of the City of London. Language training includes Arabic, Japanese and Chinese.

Joint activities include: Rero and Polymer Science and Technology.

Chris Tighe

Financial services continue to grow in Leeds

Tide turns north

THERE ARE two things to say about the financial and professional services sector in Leeds: the first is that growth seems unabated; the second is the way it has influenced the course of the recession.

Ten years ago the sector was small and local. Today it employs tens of thousands in fields such as accountancy, law, banking, building societies, merchant banking, venture and development capitalism, and stockbroking.

Then, networks of professionals were informal and poorly developed and there was little to stop client companies being shut down when they ran into trouble.

This time, the networks are stronger and full of experienced professionals with a vested interest in keeping regional industry and commerce alive, if only to pay their bills. Large sums of capital and expertise are available for management buy-outs, buy-ins, mergers, sales of businesses, or financial reconstructions.

West Yorkshire, and the wider east Pennines region, has in Leeds a comprehensive range of financial and professional services available for which companies previously had to go to London. Indeed, many of the professionals are refugees from the south, supplementing a local sector which has exploited its price advantages over London to increasingly good effect.

It is in legal services that growth has been most apparent, with Leeds boasting more of the largest law firms in Britain than anywhere else outside London. In addition, a welter of smaller, strongly entrepreneurial practices are emerging into a vigorous market for their services.

Booth & Co claims to be the largest in Leeds, with more than 500 staff, having doubled in size in the last three years. A rival claim comes from Dibb Lupton Broomhead and Prior, formed by amalgamation of well-established firms in Leeds, Sheffield and Manchester. According to the legal profession's trade press it is this spread which makes it the biggest regional law firm in Britain.

Peter Scaman: fees are up 70 per cent on last year

"So far the large law firms have been able to grow in spite of, rather than at the expense of each other," says Mr John Pike, one of Booth's partners.

He believes that the initial race for size – to meet demand for speedy service – is abating. With clients questioning value for money, more competition is likely in the local market place, with all the firms stressing the worth to clients of contacts at senior level.

This is where Leeds' price advantage over London is keenest: experienced solicitors at partner level often cost half as much as their London counterparts – and advice is on the doorstep.

It is the development of professional networks, rather than expansion of individual professional sectors, that makes Leeds tellingly different from 10 years ago, because they are what makes it possible to apply expertise in the round.

Where a bank might have closed a business down, its advisers will try to save it. It is much easier to change a troubled business's ownership and management. KPMG Peat Marwick, the accountants, has a list of more than 20 senior managers each looking for a management buy-in.

Peats' rewards from Leeds' financial and professional services expansion have included the Leeds office's revenue rising by 20 per cent a year throughout the 1980s. Mr Peter Scaman of Peats says his 12-person corporate finance team has been doing particularly well lately, with fees up 70 per cent on last year.

The change in Leeds came as surprise to Mr Peter Hargreaves, when he returned last year from London to become a local director of County NatWest, the securities house.

"It was quite a revolution," he says. "Everything is much more competitive. There are now at least nine local sources of venture capital available." County NatWest has 16 staff in Leeds and will shortly be recruiting two more. Mr Michael Frank, who has overall charge as well as heading corporate finance, claims to offer a wider range of services than County's competitors and there are increasingly more competitors against which to score.

David Wilkinson: a developing advisory role helped business

Merchant banking was a weak point in Leeds with only County, 3i and Singer & Friedlander in real contention. Indeed, Singers this year celebrated its 30th anniversary in the city, having been first in the field.

It has eight executives, three of them main board directors of the bank, so its commitment is strong. This year it merged its Leeds and Nottingham corporate finance operations to trade on easy north-south links between Yorkshire and the Midlands. Both banks run strong, specialised lending operations to industry and commerce, with County starting at £1m and averaging £20m-plus per deal. Singers goes down to £500,000.

The success of County and Singers encouraged Lloyds Merchant Bank to open in Leeds two years ago, recruiting Mr John Richardson, former head of County, in the process. Mr Geoffrey Weaver, who runs the development capital arm, says: "We have discovered a far bigger raft of activity than we ever envisaged. You have to be here to respond quickly and compete. We are certainly seeing many more deals than we could have seen from London."

Barclays Bank is active in merchant banking sectors and there is ever-present competition from N.M.Rothschild, which services Leeds from its large Manchester office.

Meanwhile, there is still room for local players in providing investment capital. Yorkshire Enterprise, the descendant of the West Yorkshire Enterprise Board, one of the first regional venture capital funds, is ever-present.

So is Mr Barry Anysz, a specialist in Business Expansion Scheme funds, whose Capital for Companies has raised more than £4.5m for seven BES funds – one a year from 1984. His business is part of the thriving BWD Rensburg stockbroking and financial services group. Its expansion in the 1980s was another West Yorkshire success story.

In spite of competition, 3i still has the biggest share – it claims about 35 per cent – of venture and development capital markets. It has a staff of 10 in Leeds. However, Mr David Wilkinson, Yorkshire and Humberside director, emphasises the developing advisory role of the financial and professional sector and the way it has helped business through the recession.

Ian Hamilton Fazey

■TOURISM: shifting the eye of the beholder

Unlikely rebirth

BRADFORD'S Victorian Town Hall, with its deliberate echoes of Florence's Palazzo Vecchio, is a fitting symbol of West Yorkshire's success as a tourist attraction; last year 6m people visited the region spending an estimated £56m.

While the beauty of the Renaissance brings millions to Tuscany, Bradford's lure lies both in the rural attractions of the moors and the sublime grandeur of the industrial revolution.

When such comparisons were first made smirks spread across southern faces. But vigorous and dynamic marketing, linked to a shift in aesthetic values, have brought about an unlikely revolution.

The shift in the tourists' view of beauty has been sensational. Joseph Morris's comprehensive The West Riding of Yorkshire, published in 1920, notes: "The industrial region of Yorkshire is almost entriely confined to the West Riding, yet even here it desolates, roughly, only one half of the county."

Desolates? Bradford has nearly 11,500 people working in tourism related industries, many of them in urban areas, and depressing images of dark Satanic mills have been replaced by, for example, the benign TV images of Last of the Summer Wine.

In a recent survey of the country's top 38 cities Bradford was ranked sixth for quality of life: 21 places ahead of its close neighbour Leeds.

The tourist revolution began in Bradford's town hall. The council created Britain's first Economic Development Unit in 1979 against the backdrop of 63,000 lost jobs in textiles and engineering and an unemployment rate of 16 per cent.

The city had a hotel stock under used at weekends, the rural attractions of the Brontë parsonage at Haworth, the Dales, and the vast untapped resources of its Victorian industrial heritage, exemplified by Titus Salt's industrial model town of Saltaire.

By 1984, 30,000 people a year were booking holidays in the district. This was a year before the National Museum of Photography, Film, and Television came to Bradford as an arm of London's Science Museum.

It has been an attention to detail and long-term planning which has given the tourist industry a firm foundation. For example, guided tours of the town's mill shops draw thousands to Bradford.

Further growth is seen as secured in the sector. This year a further 110 beds were added to the hotel stock. Lister's Mill, whose 250ft high chimney dominates the city, is the site of a £470m development scheme including space for the Victoria and Albert Museum's southern Indian collection. The city's conference trade is blooming with latest figures showing 26 venues with nearly 14,000 seats compared to eight venues and 3,300 seats in 1983.

Bradford's flagship scheme for the future is a £220m project, headed by Leeds-based developers 3D, to transform the area around the Alhambra Theatre and the National Photographic Museum with a leisure, retail and office complex.

This idyllic picture of West Yorkshire tourism needs to be qualified by two factors: its relative insignificance within the economic structure, with most estimates crediting tourism with less than 1 per cent of local gross domestic product; and its relative weakness compared to its neighbours.

Yorkshire, from the coastal resorts, through North Yorkshire and the Moors and Dales, is a thriving tourist region: the Yorkshire and Humberside tourist board's latest estimate of tourist spending is £1bn with the average outlay per trip at £103. Unofficial estimates of spending in Bradford are £12 a day for day visitors, £50 for an overnight stay and £100 for business visitors.

Observers of the tourist revival in West Yorkshire are more bullish about its impact on the local economy: not in terms of direct economic benefit but in the crucial field of investment image.

In a commentary for the Yorkshire and Humberside Regional Research Observatory Mr Ian Couch of Huddersfield Polytechnic says: "As friction of distance becomes further reduced by communications improvements marketing West Yorkshire relies, increasingly, on image as a telling factor."

Bradford Bouncing Back, the city's official slogan, has to compete with Kirklees Means Business, Leeds Leads and Wakefield Works. But Bradford has succeeded, perhaps more than any, in jettisoning the unwanted baggage of the past.

The city can count more than 50 recent examples of TV and film credits, from Emmerdale Farm at nearby Esholt, to the Holiday Programme and Wish You Were Here. Positive image making of this kind, according to the region's umbrella strategic authority the Yorkshire and Humberside Development Association, can move investment from the City of London and the capitals of Europe.

Jim Kelly

■REGENERATING OLD COMMUNITIES: Halifax

Partnership in optimistic mood

IN A recession no town is an island – not even Halifax, the focus of Business in the Community's first, much publicised one-town partnership.

The town has been praised by Prince Charles, visited by top UK businessmen and nurtured by an eager team of locally-based entrepreneurs and councillors. The borough of Calderdale, centred on Halifax, saw its unemployment rate drop from 12.7 per cent in early 1987, when the partnership was launched, to 5.7 per cent in early 1989.

However, it has risen to 9.6 per cent, the consequence of 7,000 job losses in the last two years. But during the same period, about 4,500 jobs have been created – proof, says Mr Michael Ellison, Calderdale council's chief executive, of the partnership's positive effect.

"Without it we would have been back in the situation we were in in 1982," says Mr Ellison, whose quip "The answer's yes. Now what's the question?" sums up the partnership's can-do philosophy. He is heartened that Calderdale's jobless rate has dropped slightly in the last two months. But he admits; "It's absolutely soul destroying to see companies with whom we have worked and had very positive relations victims of this recession."

Much of the centre of Halifax looks very handsome today; a number of its honey-coloured stone buildings have been beautifully restored, some with help from the revolving fund set up by the partnership with £200,000 from Rowntree Mackintosh, the food manufacturer.

The town has the good fortune of having the headquarters of one of Britain's best known institutions, the Halifax Building Society; its Calderdale workforce has risen to 2,500 people.

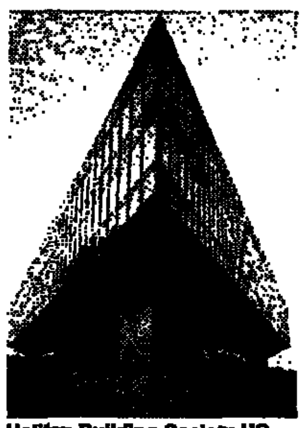
The transformation of Dean Clough, the 1.25m sq ft of Victorian carpet mills whose closure by Crossley Carpets in 1982 dealt a blow to the town's economy and morale, is continuing, thanks to the extraordinary energy and commitment of entrepreneur, musician and art lover Mr Ernest Hall, one of the partnership's leading members.

Two hundred companies, including the Halifax Building Society, have premises at Dean Clough and 3,000 people work there.

Mr Hall, who says he regards recession as a fit person views a cold – "something you can throw off quickly" – is proud that during this recession not one company at Dean Clough has gone out of business. At a time when the problems of business survival breed a consuming work ethic in many entrepreneurs, Mr Hall, who provides free space at Dean Clough for professional artists, is championing culture.

For all his optimism, in Halifax town centre in the picturesque nineteenth century covered market, the response of stall holders is downbeat. "There are all these redundancies, and so many empty shops," is a typical reply.

"You wouldn't have found that reaction two years ago," says Mr Joe Tolam, leader of the Labour-controlled council and a member of the partnership's focus group. "I'm disappointed we've started the 1990s the same way as the 1980s."



Halifax Building Society HQ

The recession has coincided with something of a hiatus in the Calderdale partnership, which consists of a focus group of business people and councillors, and a projects company with nine businessmen and Mr Ellison as director.

The projects company, set up to undertake activities to aid the local economy, has continued operating; some of its most useful work has been confidential, helping companies threatened by the recession. But while the partnership's business members have been much involved in various projects, the focus group has not met at all this financial year.

In spite of the hiatus, some of the partnership's earlier work is bearing fruit, including the £9m reclamation of the 100-acre Lowfields site where it is hoped 4,000 jobs will be created.

Although very near the M62, difficulties of access, pollution, flooding and multiple ownership stalled the site's development for years. But the council has obtained £6.5m from the government's derelict land grant and on site work to prepare the land for industry began on October 30. The BiC partnership, says Mr Ellison, gave the council the confidence to go ahead.

Another fruit of the partnership is the Eureka! Children's Museum, a £10m project under construction on former marshalling yard land beside Halifax railway station. Eureka!, an informal learning centre for children aged six to 12, is the first project of the Children's Museum, an educational charity backed by the Clore and Vivien Duffield Foundations.

This new venture, which aims to attract 500,000 visitors per annum within three years of its opening next summer, was destined to be located outside the south-east but it was thanks to BiC's influence that it came to Halifax.

Centred on Huddersfield, Kirklees would deny any suggestion it has been outflanked by the Calderdale partnership. The Kirklees Engine for Growth Forum, embracing public and private sector, academic, union and ethnic interests, began at about the same time. But its main result so far, the partnership set up in 1989 by Kirklees council and Henry Boot, property developers, has been hampered by the recession, with industrial and commercial projects being delayed by lack of demand or interested tenants dropping out.

Two housing schemes are being built, but the partnership's main project, the £100m Kingsgate shopping development in Huddersfield, is expected to go to a public inquiry, so work is unlikely to start until late 1993.

Chris Tighe

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MANAGEMENT

Cross-border mergers

Spliced to the dear old Dutch

Charles Leadbeater examines the compatibility of companies from Britain and the Netherlands

Executives from British Airways and KLM Royal Dutch Airlines will attempt to give some substance to a business myth over the next few weeks. The myth is that the Dutch and the British enjoy a compatibility which makes joint ventures between their companies more likely to succeed than cross-border deals between companies from other nations.

The two airlines are discussing a merger which could create a European airline capable of matching the largest US groupings such as *American Airlines, United and* Delta. They are hoping to replicate in the airline industry what the Anglo-Dutch groups Shell and Unilever have achieved in the oil and consumer goods industries.

The claim that the British and Dutch have compatible business cultures largely rests upon these two enduring examples. The Royal Dutch/Shell Group of companies has grown out of the 1907 alliance between the Royal Dutch Petroleum Company and the British Shell Transport and Trading Company. The Dutch are the dominant force with 60 per cent of the whole group. Unilever was the creation of a 1929 merger between Lever Brothers, the British soap and detergent manufacturer, and the Margarine Union.

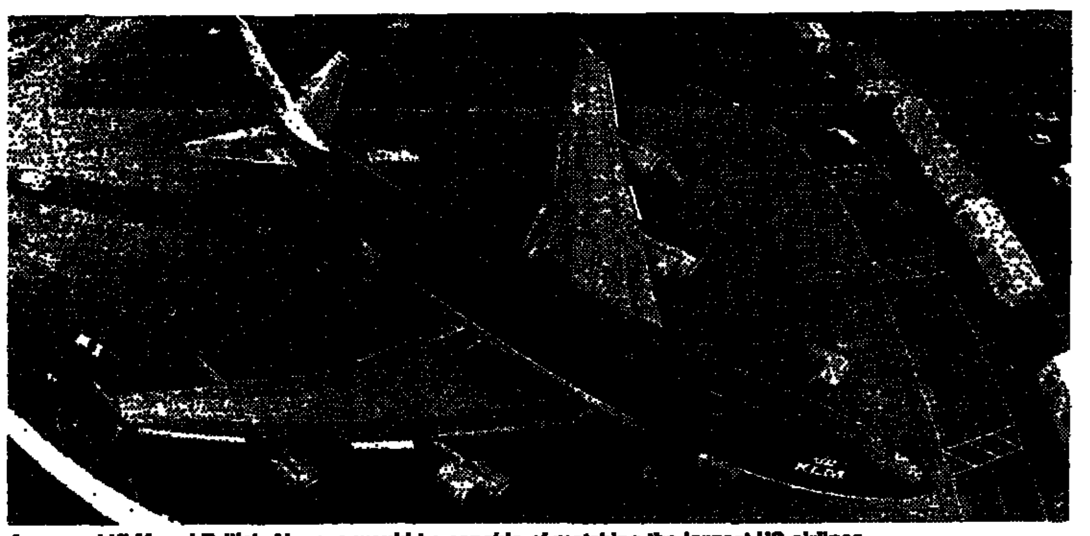
The factors which have made these mergers work may have little relevance to the contemporary airline business. Shell and Unilever were products of the great Dutch and British trading empires which provided a ready source of raw materials.

Their success is due as much to their elaborate formal structures as their management cultures. For instance, the Royal Dutch/Shell Group of operating companies is controlled by three holding companies. They report to the group's parents, the national companies Royal Dutch/Shell and Shell Transport and Trading, which have retained *separate stock market quotations* and shareholding structures.

Martin Waldenstrom, an expert in cross border deals in the Paris office of Booz, Allen and Hamilton, the management consultants says: "Both mergers were structured in an intelligent way and they were formed at a time when people were serious and straightforward about joint-ventures. These days companies often go into joint-ventures with ulterior motives."

Some Anglo-Dutch deals have foundered. The UK's General Electric Company has long standing joint-ventures with Philips of the Netherlands in lamp manufacturing in far flung parts of the world. But they recently failed to consummate a proposed deal in medical equipment. Although Philips is rapidly streamlining its management, it is nowhere near as decentralised as GEC. However, according to management consultants and executives who have worked in Anglo-Dutch joint ventures, several factors will be working in BA and KLM's favour.

Peter Klapwijk, a senior consultant in AT Kearney's Amsterdam office said: "Language is a major factor. English has penetrated Holland far more than it has in Germany or France. A deal between KLM and Sabena of Belgium would have been terribly complicated linguistically. BA and KLM would be fine." The common characteristics of the two economies has encouraged some common features in their business cultures. Both are trading nations with small domestic markets, extensive overseas interests and relatively international approaches to business.



A merged KLM and British Airways would be capable of matching the largest US airlines

British workers often have strong preconceptions about how German or French managers will behave, which the continental Europeans have to overcome to win trust. By contrast, British workers tend to have few strong preconceptions about the Dutch. This promotes a general congeniality, according to Waldenstrom.

Brian Small, managing director of Ingersoll Engineers, the British management consultancy, who has worked on aircraft manufacturing for both British Aerospace and Fokker, the Dutch group said: "There really is very little difference. The Dutch may be keener on consensus. The Dutch style is a comfortable halfway house between the British financially driven Anglo-Saxon approach and the regulated Germanic system with supervisory boards."

Shell's structure reflects the differences in cultures, while blending them in a decentralised management system. The Dutch still tend to dominate the technical, engineering and exploration departments, while the British forte is in marketing and finance. Leyland-Daf, the trucks and commercial vehicles merger formed in 1987 is, like Shell, evidence that Dutch-led mergers work quite harmoniously. A former Leyland executive explained: "The Dutch went out of their way to get people onside. They went to great trouble to hold meetings in the UK as well as in Holland. They have given Leyland considerable independence and responsibility."

Daf's approach to Leyland contrasts with the way Iveco, the Italian truck maker has managed its merger with Ford's British truck operations. Ford's former UK plant is rapidly becoming dependent upon Italian components and design, according to management consultants who have worked there.

Even with cultural and linguistic factors working in their favour, Anglo-Dutch mergers have had problems. John Campbell, an analyst at stockbrokers County NatWest who worked for Unilever for 20 years said: "One of the drawbacks was that in the 1960s and 1970s, consensus building meant it took too long to make decisions."

A British management consultant who worked on the Leyland-Daf merger commented: "The Dutch really were *too nice* because the market was buoyant, profits were booming and they went out of their way to make things work. They are having to tighten up now."

One of the biggest obstacles in the way of a deal between BA and KLM could be the very congeniality of the Dutch airline's management culture. A Dutch consultant who has worked extensively with KLM said: "The airline has weak leadership and little strategic direction. To make this merger work they will have to be clear about where they are going and that they will have to take hard decisions to sack people. The US airlines have broken their unions to get costs down but the Europeans have not yet faced up to that issue."

He says KLM still has a comfortable, civil service culture, which encourages loyalty but discourages radical cost cutting. This contrasts with the tough post-privatisation business culture at BA associated with its chairman, Lord King. The prospect of a British takeover has already provoked an outcry from *some Dutch* trade unions and concerns among some KLM managers.

A deal between BA and KLM would be led by the much larger British airline. It may be a worry for the teams negotiating the deal that while Shell and Leyland-Daf suggest that Dutch-led mergers *with British companies* work, and Unilever shows that a merger of equals can work, there is little evidence that British-led mergers with Dutch companies are as successful.

The prospect of the Dutch arriving at London's Heathrow might make the British smile. The prospect of Lord *King* arriving at Amsterdam's Schiphol is already provoking fits of anxiety.

Bulls caught on the horns of a dilemma

Employees are misbehaving, but companies are fighting back with new ethical codes says **Peter Miller**

Business morals have had a bad time in recent *months. In the US, Salo*mon Brothers, the securities house, admitted during the summer that it had rigged government bond auctions. In the UK, cases are under way against several former investment advisers accused of steal*ing clients'* money. *Worldwide*, the story of the Bank of Credit and Commerce International tells of fraud and theft on an unprecedented scale.

Yet management school lecturers detect a trend towards more ethical business practice. "More is being demanded of business," says Stanley Kiaer, director of the London-based Institute of Business Ethics. "With more widespread share ownership, business has to justify itself to a much wider section of the population."

At least as an academic subject, ethics is booming. The Journal of Business Ethics, a monthly publication with editorial offices in Canada, has a circulation of 8,000, high for an academic journal.

For the first time this year, business ethics has become a compulsory subject for first-year students at the London Business School.

The courses work case studies into a framework of theory drawn from philosophers from Immanuel Kant to John Rawls. They are chiefly concerned with dilemmas and situations in which legitimate interests compete.

One example used by Diana Robertson, a visiting assistant professor, is the company which wants to sell a factory on *land* discovered *to* contain radioactive waste. The law does not require disclosure to the buyer. If the buyer is told, the selling shareholders may lose. If he is not told, the buyer loses. What does the selling company do?

In other case studies, *hiring* practices are examined for sex discrimination; takeovers studied for grey areas in finance; manufacturers' recalls considered with a view to product safety.

The new interest in ethics is not just theoretical. Robertson points to the increasing adoption of codes of corporate behaviour and the appointment of ethics officers in corporations.

Corporate codes of ethics usually include clauses on:

- Bribery and inducements. One British company makes it "an offence to accept or solicit any gift or consideration . . . as an inducement or reward for showing favour in connection with the company's business".
- Privileged information. This should not improperly be communicated to competitors, customers, securities professionals or others.
- Conflicts of interest. The idea is to avoid impairing employees' objectivity.

The Institute of Business *Ethics suggests that* such codes also lay down procedures for responding to the dilemmas that surface as people seek to apply the principles in question.

The reason for companies introducing such a policy are mixed. Some are trying to make amends for previous misdeeds.

Others are keen to mitigate legal or regulatory sanctions or want to prevent possible future embarrassment. Still others are simply responding to a climate of sterner public opinion.

At Salomon, for example, the language of probity has *accompanied* a house cleaning. Deryck Maughan said after his appointment in August as chief operating officer: "I think you can combine good business and good ethics." In an October letter to shareholders accompanying Salomon's third-quarter results, Warren Buffett, interim chairman, spoke of giving more responsibility to "men and women who share our thinking and our values".

Sceptics of the growing concern for corporate uprightness may detect an element of cloistered virtue. In quiet markets, with few temptations, it is easier to be ethical than, say, *during a takeover boom*, when potential illicit revenues are large. A study of attitudes to insider trading published in the September issue of the Journal of Business Ethics confirms that with more to play for, people are more inclined to let their scruples lapse; peer pressure can cause resolution to crumble.

Ethical codes – at least in the US – can be a pragmatic shield for companies in which employees' unethical behaviour has descended into illegality. American businesses recently were given an explicit economic incentive to establish and police ethical codes. *Under new federal sentencing* guidelines, convicted companies can reduce their potential exposure to heavy corporate fines by having in place formal policies that define standards of behaviour, including ethical norms. These have to *be communicated to all* employees and enforced if the company is fully to benefit from a list of mitigating factors.

"You have to monitor and you have to punish," says Frank Razzano, a Washington lawyer.

With business ethics becoming ever more institutionalised, casual lapses are likely to diminish. What will remain will be, in Robertson's words, "that, arguably small, fixed, percentage of businesspeople which will always do things it shouldn't".

TELEVISION

Never mind the book, feel the drama

Much has already been said about the forthcoming television dramatisations of two books: *Clarissa* which begins on BBC2 this evening, and is outstanding, and *Stanley And The Women* which begins on ITV tomorrow and is very good. There is, of course, nothing unusual these days about intense advance publicity of this sort. Newspapers, even supposedly serious broadsheet newspapers (apart from this one so far, fingers crossed) are turning themselves increasingly into the unpaid hand-maidens of the television industry. Having started out 35 years ago either ignoring or ridiculing the medium which, it was feared, might kill the newspaper business, the press has turned through 180 degrees and today relies upon the popularity of television to sell papers.

The tabloids report on the lives of those who act in the soap operas and the fictional characters who feature in them without distinguishing much between the two; and the broadsheets puff the more serious television dramas by publishing profiles of the cast or the director, or long accounts of the awful vicissitudes of shooting the whole thing... on location, of course, in Venice or California. This is offered, increasingly, as a substitute for proper criticism. The most you are likely to get nowadays by way of review is a few lines from a moonlighting novelist or English don whose primary task is not to criticise television but to make the readers laugh.

This domination of television criticism in Britain by those whose lives are bound up with literature is one of the chief reasons why adaptations from books come in for so much stick, though on this occasion there is another reason for acrimony: feminism. *Clarissa* was written by Samuel Richardson 244 years ago, and *Stanley And The Women* by Kingsley Amis seven years ago. Yet both have much to say about the position in society and the treatment of women, and neither can be described as Politically Correct, in the sinister meaning of that phrase now seeping out of American universities. (It is Politically Correct to discriminate so long as it is against whites, heterosexuals, and of course men).

Some of the objections to these two adaptations, in *The Spectator*, *The Daily Mail* and elsewhere, have been shrill indeed. BBC Television has been ridiculed for condensing a one-million word book into three 65-minute episodes. Producer Kevin Loader and director Robert Bierman have been vilified for showing on screen the rape which, although it is (we are assured) the climax of the story, is modestly disguised in the book by a bit of 18th century obfuscation. There are some connected with the production, we are informed in tones of outrage, who have never read all seven volumes of Richardson's novel from cover to cover.

As for *Stanley And The Women*, it seems that the Politically Correct stance for those who took Central Television's shilling and agreed to join the cast is to condemn Amis's book and talk loudly about how much *nicer* all the female characters have been made in the television version. Thus Geraldine James, who plays the harpy psychiatrist Dr Trish Collings (a splendidly recognisable caricature of an all too familiar type) has declared that she hesitated before accepting the role because "anything by Kingsley Amis would be so anti-woman" but then took up the challenge "to bring a more human side to her character". And John Thaw, who plays the title role, is quoted as saying "I didn't enjoy the book. It's misogynistic and I certainly do not like that... we have softened the characters from the way they were portrayed in the book, I am delighted to say." Perhaps we can look forward to Thaw playing Richard III as a bumbling and basically kindly sort of chap and James portraying the witch in *Hansel and Gretel* as elderly and confused but thoroughly nice at heart.

That is not to suggest that television must stick slavishly to either the plot or the tone of the original when adapting from some older source, though if you are going to use the work of a living author, and retain one of his original titles, some degree of faithfulness might be polite. Otherwise television has as much right to borrow and modify – or steal and alter out of all recognition – as any previous medium. Only a fool objects to *The Magnificent Seven* on the grounds that it fails to transpose *The Seven Samurai* accurately to the wild west. Only a pedant would object that Jacques Amyot was slightly inaccurate when he translated Plutarch's *Parallel Lives*, that Sir Thomas North made things worse with his English translation from Amyot, and that the impertinent thespian William Shakespeare played merry hell with the North version and that we should therefore junk all copies of *Julius Caesar*.

Many of the objections to the BBC's *Clarissa* and ITV's *Stanley* seem to have been made by people who have read the books but not actually seen the television productions. My experience is the reverse: I have watched every minute of both productions unencumbered by any preconceptions which might result from reading the books, and can report that even if these two versions are poor literature (which seems to be the gist of the objectors' case) they are excellent television.

The claim that *Stanley* is misogynistic is wrong if by misogyny you mean someone who singles out women for vituperation. True, this drama is savagely sarcastic about several of its female characters – and very funny about them, which among the Politically Correct may be more unforgiveable – but it is equally scathing about Asians, teenagers and journalists. We are in one of television's most easily recognised milieux, the land of middle class media folk, made familiar not only by Tom Stoppard and Frederic Raphael but by scores of long forgotten single plays by lesser writers. The difference with *Stanley* is the vivid streak of misanthropy which runs throughout. The other great strength is that the appalling way in which people are seen carrying on in newspaper office, commercials' company, pub and so on is only just an exaggeration.

The job of conveying the atmosphere of society in *Clarissa* must have been far, far harder, yet it is managed triumphantly. There are no Janet-and-John explanations here of how different were 18th century attitudes to women, religion, duty and so on; we are treated like adults and left to gather that from internal evidence. There is one serious omission in the plotting which may, for all I know, come from Richardson (if so the adaptors, David Nokes and Janet Barron, should have filled in): we are given no proper motive for the intense spitefulness with which brother and sister Bella and James Harlowe persecute their sister Clarissa. Otherwise it is an extraordinarily compelling tale of profound urges, sexual in the aristocratic rake Lovelace, religious in Clarissa.

It seems a little odd that we always see the country mansion, the London brothel and the Hampstead house from precisely the same points of view (economy measures?) but in all other respects – costumes, props, everything – the production looks magnificent, as it should at a cost of £2m. Even action scenes such as sword fights, dances and coach rides, which can so easily look hackneyed to a public much accustomed to period drama, appear fresh and vivid. Above all the acting throughout the cast is yet another striking indication of the astonishing depth and strength of Britain's acting profession. It must have taken courage to cast an unknown, Saskia Wickham, in the title role, and the scarcely famous Sean Bean as Lovelace: they will never be unknown again.

Perhaps the BBC is offering an appalling misrepresentation of Richardson's book, though I doubt it. But even if it is, who cares? The novel has mouldered on the shelf for two centuries whereas this hugely entertaining television serial will be seen by millions. Anybody likely to be outraged at the liberties taken by adaptors should stay switched off and take down the seven volumes from the bookcase. They will find them *virgo intacta*.

Christopher Dunkley

Diana Quick, Saskia Wickham and Cathryn Harrison in 'Clarissa'

Sadao Watanabe: first ever visit to the UK

Sadao Watanabe

ROYAL FESTIVAL HALL/RONNIE SCOTT'S

Japanese record collectors will pay top prices (£1000) for old American vinyl deletions, and new classic vinyl, printed by the Blue Note label affiliate in Tokyo, is eaten up there as it is in the West. But despite a prodigious appetite for the genre, talented home produce is rare in Japan. Altoist Sadao Watanabe remains one of a few live exports and these dates, organised as part of the Japan Festival, marked his first ever in the UK.

Something of a national treasure back home, the 57 year old started out with a clarinet in the school band but learnt the trade he now plies – shiny jazz rock – in the US. Early blurb for the gigs had promised a set of standards and Bird-like playing at the Soho club, followed by a showcase of recent material at the Festival Hall. Sadly, ear splitting but otherwise uninspired crossover prevailed at both venues.

Accompanied by a well-drilled, all Japanese sextet of two guitars, electric bass, keyboards, drums and percussion, Watanabe should have had no difficulty in hammering his point home. But the point of playing such cleanly phrased alto and sopranino to a crushingly loud and mechanical accompaniment was lost on me. The material was drawn from the most recent of 50-odd albums listed in the programme – the bossa based "Elis", "Front Seat" and the latest, "Sweet Deal". These albums could be known in marketing parlance as Adult Oriented Rock and indeed "Any Other Fool", according to the programme, "remained high on the Adult Contemporary Chart of *Billboard* magazine for many weeks". Quite why "adult" should equate with easy listening at high volume beats me.

Indeed, some of the band's repertoire is far from easy listening. It is actually quite hard to discern one number from the next, each running to a formula of tough copy book solos – from guitar heroics through slap bass thunder to keyboard demo programmes. The drum solo from Yuichi Togashiki was physically painful. Watanabe himself is clearly a great player, and the sopranino is a rare voice in jazz. He really should be harder on himself and easier on our ears.

On exiting the Festival Hall, Watanabe fans were assaulted by the over-amplified sound of a Japanese busker on electric *biwa*. That was interesting.

Garry Booth

Dance for Life Gala

Julio Bocca, Darcey Bussell, Anthony Dowell, Viviana Durante, Alessandra Ferri, Christopher Gable, Sylvie Guillem, Irek Mukhamedov, Yelena Pankova, and Moira Shearer are among the many dancers who are giving their services for a gala in the presence of the Princess of Wales on Sunday December 1 at Her Majesty's Theatre, London. To help raise funds for CRUSAID, the charity performance will involve dancers from many British companies, and members of the Franfurt Ballet will be making their London debut. Sir Kenneth MacMillan has created a new duet especially for the occasion. Tickets (from £35 to £250) are available from Crusaid Ltd, 21a Upper Tachbrook Street, London SW1V 1SN: telephone/fax: 071 834 7566; and donations can also be made to Crusaid at that address.

Sounds of Scandinavia

HUDDERSFIELD FESTIVAL

The premiere of Robert Saxton and Arnold Wesker's *Caritas*, on which Max Loppert reported from Wakefield last Saturday, is the main attraction of this year's Contemporary Music Festival in Huddersfield. But away from the opera house the Huddersfield programme is as densely packed as ever, with a daily average of four events throughout the festival's 11 days.

Huddersfield consistently has its thematic shapes, and after 14 years almost every significant European and American composer has been surveyed. Tippett and Birtwistle (for the second time) are emphasised towards the end of this year's festival, but the first weekend was dominated by Scandinavian music, with visiting ensembles from Norway, Sweden and Finland, and a bevy of Nordic composer in attendance.

Ten years ago Scandinavian would have seemed a most unlikely theme for a new-music festival. But if any trend can be identified in European music during the 1980s it is the steady rise to prominence of composers from Denmark, Sweden and Finland especially, not just as isolated, highly gifted figures, but working like-minded communities co-operating and sharing technical innovations and performance traditions. Fuelled by generous state subsidies Scandinavian music has been widely exported of late, and next autumn there will be a showcase in London too, when the Barbican is staging a major Scandinavian festival.

If no composer has so far emerged during this renaissance with the stature of a Ligeti, a Berio or a Birtwistle, the stylistic spectrum is wide and the level of achievement, especially in the generations beneath these senior figures, remarkably high. Composers such as the Danish Poul Ruders and the Finnish Magnus Lindberg might well yet achieve the heights of celebrity, and while the Huddersfield concerts offered no startling revelations, they provided a vivid demonstration of the energy and range of current Nordic music-making.

It was not all thrilling and innovative of course; some of the music included in the programmes given by the Oslo-based ensemble Cikada would have confirmed all the prejudices of a decade ago: too many of the pieces were pale reflections of modernist trends from farther south that were already passé when the pieces were written.

A new song cycle by Arne Nordheim, *Tre Voci*, was the main novelty in Cikada's Sunday-morning recital, but suffocated under its own rhetorical gestures; a string quartet by Kare Kolberg (born 1936), was a hopeless mingling of traditional and post-serial techniques. Yet another quartet, *Sorti*, by the 41-year-old Ase Hedstrom showed much more structural coherence and a tight grasp upon a sinewy musical language, while John Persen's *Et Cetera* set out from some minimalist sequences to build a substantial (25-minute), satisfying single movement; Persen, born in 1941, is reputedly also the composer of a piece called *John Persen's Guide to the Orchestra*...

The excellence of Cikada's instrumentalists, especially its wind players, confirmed that superlative performances of contemporary music are no longer the sole property of British and German groups, and the extraordinary event offered by the Finnish ensemble Toimii, suggested an approach quite unlike anything within our usual concert experience here. Toimii styles itself as a laboratory, a meeting ground for composers and musicians to share ideas and performing experiences. It is led by Magnus Lindberg and the composer-conductor Esa-Pekka Salonen, and public performances are strictly rationed.

Toimii's programme in Huddersfield consisted of eight works presented in two unbroken spans, without explanatory notes or introductions. Alongside pieces expressly written for members of the group (piano, percussion, cello, clarinet, guitar), were collective pieces, semi-improvised, worked out during rehearsals. The tone varied enormously; the jokey, corporate *Valse Twist* followed Olli Koskelin's ethereal guitar meditation *Tutte le Corde*, while Lindberg's own fiercely dramatic *Ablauf* for clarinet and bass drums, is a self-standing concert work of genuine stature.

The Toimii mixture is a teasing one. Perhaps we heard too many improvised concerts during the 1970s to warm to the simplistic shapes of some of the longer pieces included here but there is something fresh about the experiments, and about Scandinavian music's efforts not so much to be different as to give its composers the best possible chance of realising their widely varied potential.

Andrew Clements

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Frans Brüggen conducts the Royal Concertgebouw Orchestra and Netherlands Chamber Choir in an all-Mozart programme, including the Piano Concerto No 25 played by Ronald Brautigam, repeated tomorrow. Sat afternoon: Margaret Price sings the title role in a concert performance of Adriana Lecouvreur. Sat evening: Jessye Norman (6718 345)
Beurs van Berlage 20.15 Howard Shelley is director and piano soloist in a programme of Ravel, Mozart and Poulenc with the Netherlands Chamber Orchestra, repeated tomorrow. Fri and Sun: Liszt festival (6270 466)
Muziektheater Tomorrow is the last chance to catch Johannes Schaaf's production of Fidelio, with Josephine Barstow as Leonora. Sat, Sun and next Tues: Nederlands Dans Theater in new ballet by Nacho Duato (6255 455/ credit card bookings 6211 211)

■ CHICAGO

Orchestra Hall 20.00 Pierre Boulez conducts the Chicago Symphony Orchestra in Webern's Passacaglia for Orchestra Op 1, Stravinsky's Scherzo fantastique, Berio's Concerto II and York Höller's Piano Concerto, with soloist Daniel Barenboim. Repeated on Fri and Sat (435 6666)

■ COLOGNE

Opernhaus 19.30 Lothar Zagrosek conducts York Höller's opera Der Meister und Margarita, staged by Friedrich Meyer-Oertel. Fri and Sat: Jochen Ulrich's Tanz Forum production of Romeo and Juliet. Sun: Hans Wallat conducts Gotterdämmerung. Mon: Hansel and Gretel (221 8400)

■ FLORENCE

Teatro Communale 20.30 Roberto Abbado conducts the Orchestra of the Teatro Communale in Vivaldi's Latin oratorio Juditha Triumphans, repeated tomorrow, Fri and Sat (277 9236)

■ FRANKFURT

Opernhaus 19.00 Stefan Soltesz conducts Nikolaus Lehnhoff's new production of Lohengrin, with a cast including Helena Doese and Anja Silja, also Sun. Tomorrow: Eugene Onegin. Sat: Shostakovich's The Nose, staged by Johannes Schaaf (236061)
Alte Oper 20.00 Red Army Choir and Ensemble in an evening of traditional Russian song and dance. Tomorrow: Igor Oistrakh is violin soloist with the Lucerne Festival Strings. Mon: Vladimir Spivakov and the Moscow Virtuosi (1340 400)
English Theater Kaiserstrasse 20.00 Willy Russell's new musical play Blood Brothers. Daily except Mon till Feb 22 (2423 1620)

■ GENEVA

Victoria Hall 20.30 Armin Jordan conducts the Orchestre de la Suisse Romande in Beethoven's aria Ah! Perfido and Mahler's Fourth Symphony, with Julia Varady. Tomorrow's programme in Lausanne by the same artists includes La Mer and Richard Strauss' Four Last Songs (292511)

■ HAMBURG

Staatsoper 19.00 John Neumeier's production of Sleeping Beauty, also tomorrow, Sat and next Mon. Fri and Sun: Bernhard Klee conducts Marco Arturo Marelli's new production of Cosi fan tutte, with a cast led by Karita Mattila and Boje Skovhus (351555)
Deutsches Schauspielhaus 20.00 Chekhov's The Cherry Orchard, in a new staging by Wilfried Minks. Tomorrow: Dancing at Lughnasa, first German production of Brian Fiel's award-winning play, set in Donegal in 1936. Sat: first night of new production of Alan Ayckbourn's 1974 comedy Absent Friends, directed by Ulrike Maack (248713)

■ LONDON

Covent Garden 19.30 Georg Solti conducts Elijah Moshinsky's production of Simon Boccanegra, with a cast led by Alexandru Agache and Kiri te Kanawa. Last performance on Sat. Tomorrow and Fri: Royal Ballet (071-240 1066)
Coliseum 19.30 Graeme Jenkins conducts David Alden's production of Un ballo in maschera, with a cast led by Edmund Barham, Janice Cairns, Malcolm Donnelly and Linda Finnie, also Fri. Tomorrow and Sat: Le nozze di Figaro (071-836 3161)
Royal Festival Hall 19.30 Leonard Slatkin conducts the Philharmonia Orchestra in Ravel's Mother Goose and Vaughan Williams' Seventh Symphony, plus Poulenc's Concerto for two pianos with the Labeque sisters. Tomorrow: Mark Wigglesworth conducts Derek Cooke's realisation of Mahler's Tenth (071-928 8800)
Queen Elizabeth Hall 19.00 David Freeman's Opera Factory production of Don Giovanni, also Fri. Tomorrow: Pasadena Roof Orchestra (071-928 8800)
Barbican 19.45 Dmitri Sitkovetsky and Dmitri Alexeev play chamber music by Prokofiev. Tomorrow: Rostropovich conducts Prokofiev, with Martha Argerich piano soloist (071-638 8891)

■ NEW YORK

THEATRE

● The Crucible: a National Actors Theater production of Arthur Miller's classic study of the 1692 witch-hunt trials, directed by Yossi Yzraely. A strong cast includes Jane Adams, George Martin, Maryann Plunkett, Madeleine Potter, Martha Scott, Martin Sheen, Fritz Weaver, Carol Woods and Michael York. Currently previewing, opens on Dec 10 (Belasco Theater, 111 West 44th St, 239 6200)
● The Big Knife: Clifford Odets' play about corruption in 1948 Hollywood, directed by A.M. Raychel. Thurs to Sun, ends Dec 14 (Theater Studio, 750 Eighth Ave, 719 0500)
● Forbidden Christmas: seasonal edition of Forbidden Broadway, satirising banal holiday songs and the exploitation of Christmas, plus holiday spoofs of Broadway hit shows (Theater East, 211 East 60th St, 838 9090)
● Geneva: George Bernard Shaw's 1938 play directed by Casey Kizziah. An imaginary League of Nations - with the allegorical figures of Hitler, Mussolini and Franco on trial in a courtroom peopled by Soviet commissars, Third World dictators, Jewish refugees, bishops, journalists and typists - is wired for sound and broadcast to the world. Thurs to Sun (Bouwerie Lane Theater, 330 Bowery, 677 0060)
● Women in Beckett: four of Samuel Beckett's short plays about women living in a barren landscape, completely alone, conceived and directed by Moises Kaufman (Theater for the New City, 155 First Ave, 721 2721)
● Ticketron answers inquiries and sells tickets (246 0102)

MUSIC AND DANCE

Avery Fisher Hall 220.00 Erich Leinsdorf conducts the New York Philharmonic Orchestra in music by Mozart, Poulenc and Richard Strauss, repeated on Fri, Sat and next Tues (875 5030)
Metropolitan Opera 20.00 Marcello Panni conducts John Copley's production of L'elisir d'amore, with Alfredo Kraus, Kathleen Battle, Juan Pons and Renato Capecchi. No performance tomorrow. Fri: Entfuhrung with Matti Salminen as Osmin. Sat afternoon: La traviata. Sat evening: Cosi fan tutte (362 6000)
New York State Theater 20.00 City Ballet in Balanchine's Bugaku and Scotch Symphony, plus Jerome Robbins' In G Major. Repertory performances continue till Sun. Starting next Wed: The Nutcracker (870 5570)

■ PARIS

Salle Pleyel 20.30 Lawrence Foster conducts the Orchestre de Paris in Franck's Le Chasseur maudit, Beethoven's Third Piano Concerto with Yefim Bronfman, and Enescu's First Symphony, repeated tomorrow. On Fri, the first half of the programme is replaced by Beethoven's Violin Concerto, with Uto Ughi (4563 0796)
Palais Garnier 19.30 Opera Ballet in three Jerome Robbins choreographies. Runs till Sun (4017 3535)
Châtelet 19.00 Elisabeth Leonskaja plays piano music by Schubert, Prokofiev and Liszt in the Auditorium, Forum des Halles. Tomorrow: Ed Spanjaard conducts the Ensemble InterContemporain in music by Janacek, Varèse and others. In the main theatre, there are daily performances of West Side Story (4028 2840)

■ STOCKHOLM

Royal Opera 19.00 Daniel Börtz's new opera The Bacchantes, staged by Ingmar Bergman, also Fri, Sat: Johann Gottlieb Naumann's Swedish opera Gustav Vasa (248240)
Konserthuset 19.30 Okko Kamu conducts the Stockholm Sinfonietta in Mozart's Symphonies No 25 and 40, plus the Flute and Harp Concerto. Tomorrow: Stockholm Arts Trio plays Beethoven's Archduke Trio. Sun: Stockholm Chamber Orchestra plays Bach, Bloch and Dvorak (244130)

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1330-1400 Business Day
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2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Belfini and Debbie Middleton
2130-2200 (Thurs) Talking Heads

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Wednesday November 27 1991

The quagmire of local taxes

MR MICHAEL Heseltine has resisted pressure to increase the £41.8bn limit, set in July, on next year's council spending. The revenue support grant announced yesterday represents an apparently generous 7.2 per cent increase over last year's target. But since it is less than 5 per cent over what was actually spent last year, local government representatives have warned that the increase will be insufficient to maintain services. If cuts in services accompany higher poll tax demands next year, the government may yet have to raid the contingency reserves to head off discontent in a pre-election period.

One important pressure on poll tax levels will be the level of non-payment – currently running at about 70 per cent in the worst boroughs. Even the better organised councils find it hard to collect much more than 95 per cent, which forces up the tax for those who do pay. This points to a further loss of legitimacy and revenue shortfall next year.

To make matters worse, chasing non-payers is expensive and time-consuming. The courts are likely to be busy throughout next year and long after the poll tax is dead. Desirable though this is in equity, it is a distraction for council officers striving to introduce the new council tax on time and without hitches. The minimal contribution which those on social security benefits are *required to pay adds to the* burden. With the cost of collection £6 a head more than it brings in, the case for abolishing this expensive and needless diversion is overwhelming.

Resisting temptation

Ministers may, however, be tempted to batten down the hatches and weather out the *storm of the final year of poll* tax, before reaching the seemingly safer haven offered by the new council tax in April 1993. The temptation should be resisted, for there are aspects of the council tax which presage a life as tempestuous as that of the poll tax.

For example, the council tax will provide about 14 per cent of local authority revenue – the rest coming from central government grant and the uniform business rate. Since only the council tax will be under the control of local authorities, it must finance any additional spending which councils decide upon. On average, a 5 per cent increase in spending will require a 35 per cent increase in council tax bills – a gearing of seven to one. The average conceals variations between authorities: the gearing is greater in the worst-off authorities – for example, it is eight to one in Liverpool.

Gearing factor

The gearing effect also places considerable stress on the system by which the government assesses what prudent councils should spend – the Standard Spending Assessments (SSAs). These are calculated to allow every council to provide a standard level of service if they charge the recommended level of council tax. It is unlikely that SSAs can be determined to high degree of precision: if they are not, the gearing factor magnifies the council tax increase necessary to cover any underestimate.

The consequences of such gearing contributed to the downfall of the poll tax, and it could do the same for the council tax. It is hard to find an expert in local government finance who thinks such a highly geared tax is sustainable in the long term. The solution is clear: councils must be given control of more than 14 per cent of their expenditure.

One way would be to reduce the range of services which councils finance. For example, further education is about to be taken out of local control and financed directly by the exchequer. If all schools were to opt out of local education authority control, they would in practice be financed by central government.

The alternative is to give councils control over more of their revenue by returning the business rate to local authority control. Safeguards could be devised to limit increases which might damage competitiveness. But whether spending is reduced or the tax base increased, the proportion of council expenditure covered by local taxes must be raised if local authorities are to secure a stable financial base from which to provide improved services.

Britain in the dock

THESE ARE not the best of days for British justice. On Monday the conviction of Mr Winston Silcott for the murder of a London policeman was overturned on the grounds that the evidence was insubstantial and possibly fabricated. Yesterday, the European Court of Human Rights ruled broadly in favour of the British press and against the British government in the case of the right to publish extracts from the book Spycatcher.

The two cases raise unrelated issues. Yet it is worth noting that the Silcott ruling is not the first time that the evidence in cases involving the police and the due processes of law has been rejected in subsequent inquiries. The damage done to public confidence has been great.

Spycatcher is a different matter altogether: half-serious, half-comic. The lighter side is that five years ago the British cabinet secretary spent several weeks in a court in Australia trying to prevent the publication of a book that was being imported through Heathrow and the channel ports even while he was speaking.

The more serious aspect is that the British government had a case. If there is to be a secret service in any country, it is reasonable to expect that its members should keep the secrets. True, they should have the right of internal appeal if they think that the purpose of the service is being subverted. And there is a case for greater external supervision of the service from outside; but this does not itself gainsay the principle of life-long secrecy.

Stable door

The weakness of the case against Spycatcher was that the government was trying to lock the door long after the horse had bolted. It was almost bound to lose in the end, and to look ridiculous. Not unnaturally, the British press exploited that to the full. None of this, however, helped to resolve the underlying question of where, for British public servants, the boundaries between secrecy and disclosure should be drawn.

Ever since the Official Secrets Act of 1911 (now amended), the British government machine has been riddled with a desire to protect information. Successive committees, such as the Fulton inquiry into the civil service reporting in 1969, have pointed out that excessive secrecy has developed into an essential part of the British official culture. Information must not be dispensed if it can be avoided, the source must not be disclosed and even the recipient can be found guilty of an offence for passing it on.

Sharper provisions

It may be said that there have been some reforms in the last few years. Certainly, Mr Douglas Hurd as Home Secretary narrowed the Official Secrets Act, but also made it sharper. If it was intended as a liberalising reform, it was at best half-hearted. In recent years, the cause of the secretive has been further enhanced by a trend in favour of court injunctions granted often all too easily to those who wish to prevent the publication of information.

This approach is peculiarly British. *It may be wondered, as* Fulton did wonder, whether it is inimical to good government. Other democracies seem to proceed very well without such constraints. In the United States, most obviously, there are sufficient tiers of government and challenges to central authority to ensure that information comes out in the end. Even in much-maligned Brussels, information tends to emerge: that is why, for instance, we know as much as we do about the preparations for the Maastricht Treaty. In Britain, by contrast, there is an obligation to conceal rather than disclose.

Some changes are under way. Mr John Major's promised charters should make public bodies more accountable for their actions. The Labour party will shortly produce its proposals for a Freedom of Information Act. The Tory MP, Mr Richard Shepherd, will have his own shot at putting through a private member's bill in the new year. These are no longer fringe matters: as this week's rulings confirm, Britain is gaining a reputation as the most secretive man in Europe. This is not something of which the country can be proud.

Sara Webb and Peter Montagon examine proposed reforms of the UK gilt-edged market

Losing its lustre

After four years of famine caused by a government budget surplus, the UK gilt-edged market is confronted with a feast. Today £1.5bn-worth will be put up for auction by the Bank of England.

Rising government spending in the wake of the recession has seen the supply of gilts – UK government bonds – surge to a point where next year total sales could reach a record £25bn. The new stock will add vitality to a market that only a few years ago seemed threatened with extinction as government finances moved into surplus. But can the gilt-edged market cope with such sharply higher volume without structural change? Privately, many traders and investors are starting to doubt it.

The government's finances need to be put into perspective. They may be back in deficit this year but, on the basis of official forecasts, the Public Sector Borrowing Requirement is still unlikely to exceed 2 per cent of gross domestic product this year though it is rising rapidly: in Labour's big spending days of the 1970s it was anything up to 10 per cent.

The public sector's total debt in 1990 was £190bn, nearly treble the £63bn outstanding in 1975, but according to Mr Simon Briscoe of Greenwell Montagu Gilt-Edged the proportion of GDP it represents fell from 63 per cent to 35 per cent during that period.

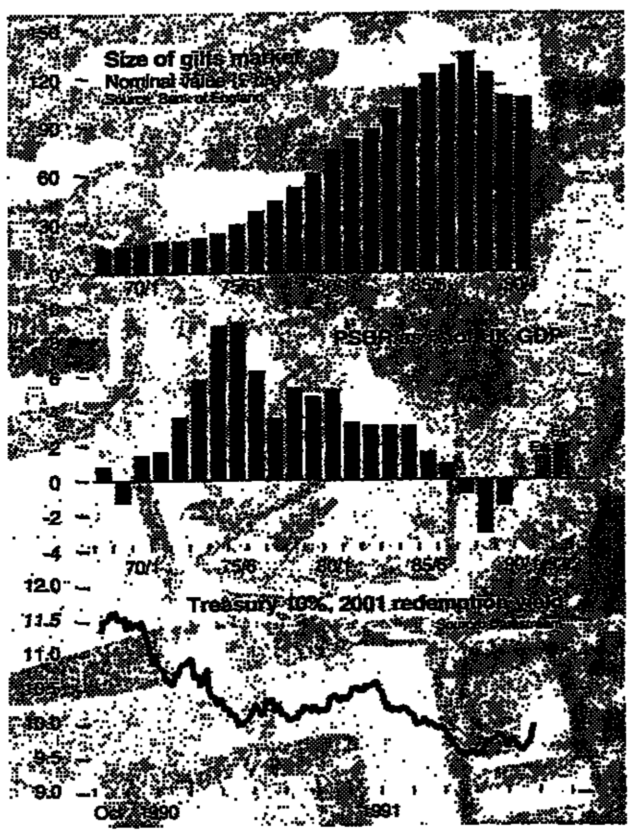
That should leave plenty of room for the gilt-edged market to grow, especially since the climate for government borrowing has become more favourable since Britain entered the exchange rate mechanism of the European Monetary System last year. Despite recent pressure on sterling, membership of the ERM has reduced the perceived currency risk for overseas investors, adding to the attraction of the traditionally high yields on gilt-edged stock. The Labour party appears even more determined than the Conservatives to defend sterling's parity within the ERM. If it *wins the election, this should* limit the threat of a collapse in sterling, says Mr Nigel Richardson of S G Warburg Securities.

The Bank of England has so far experienced little difficulty selling gilts. In the first six months of the current financial year it sold some £6.8bn-worth, of which £2.6bn were bought by overseas investors.

However, demand has been boosted by falling inflation and declining interest rates, which make fixed-rate investments more attractive. Both phenomena appear to have come, at least temporarily, to a halt. At the same time the market has recognised that increased government borrowing is more than just a cyclical affair. "The government is not as strict as it was about fiscal policy," says Mr Richardson.

The implication is that a sea-change in fiscal policy has occurred: even a Tory government is issuing large amounts of gilts to fund increased public spending. Under Labour, of course, supply would be expected to increase sharply, if only because privatisation proceeds, estimated at £8bn this year and next, would quickly dry up.

The abundance of supply has left many market participants with the belief that both foreign and domestic investors



*will need further encourage*ment to buy gilts. Foreign investors are particularly important given that UK institutions have steadily reduced their proportional holdings of bonds over the past 20 years or so. Whereas in 1978, pension funds had 29 per cent of their portfolios invested in UK fixed interest securities, last year the proportion had dropped to only 4 per cent.

Against the background of rising gilt sales, it is not surprising that attention has focused on the effectiveness of the market to handle the demands that will be made of it. The result: a growing number of charges that its structure is primitive by international standards. These sentiments could come into the open at a meeting tomorrow called by the UK Bond Commission, a lobby group of traders and investors formed under the aegis of the Society of Investment Analysts.

Among the Bond Commission's suggestions are: the introduction of a set calendar for gilt issuance; an end to deduction at source of tax on interest payments (withholding tax); the possibility for international investors to hold their gilts in one of the two Eurobond clearing houses; and the development of an active *repurchase* market which would permit traders to borrow stock freely from investors if they wish to sell short (that is, sell stock they do not own in the expectation of prices falling). All these ideas are aimed at transforming the UK government bond market into something more akin to its counterparts abroad, which would make it more appealing to *international investors:*

- In many countries, including the US and France, the government has a timetable for selling its debt. Dealers and investors find this a convenient arrangement because they know precisely when an issue is due. However, the Bank of England prefers to operate through an ad hoc mixture of auctions and tap sales (made more informally through the market). It believes this gives it greater flexibility in achieving the twin objectives of selling a given overall amount and obtaining the best possible rate. Under the US auction system, market prices tend to fall just ahead of a sale and rise afterwards, which suggests the US Treasury never achieves the best possible rate.
- As for tax on interest, many investors feel the UK should follow the example of Spain and Italy, two countries with high-yielding bond markets, which have recently decided to scrap withholding tax to woo more foreign investors.

"Withholding tax is a nuisance. You can claim it back by filling in forms, but it's a bureaucratic chore," says a trader at one of the big four gilt-edged market-makers. Worse still, the process involves the foreign investor revealing his or her identity, something which is anathema to many traditional clients of the big Swiss banks.

- Many international investors are used to holding their Dutch, German, Ecu or French bonds in Euroclear or Cedel, the two Eurobond clearing houses. Because there are no facilities for this, gilts cannot be held in this way; and it makes it harder for them to switch from one market to another even though the gilt market's own settlement system is faster than the other houses. The lack of Cedel and Euroclear facilities is regarded *as a serious enough obstacle* by some European investors to deter them from investing in gilts at all.
- Finally, one of the most sensitive questions, if also one of the most technical, is whether the Bank will bow to pressure to establish a repurchase (or bond lending) market in gilts. This would add substantial depth to the market as well as offering an additional return to holders of gilts who were prepared to lend out their stock to traders for short periods.

London already boasts well-developed repurchase markets in other government bonds such as those of Germany and France. The US has a large repurchase market in its Treasury bonds. Yet the Bank of England fears that opening up such a market in gilts would dilute its regulatory authority and reduce the privileges bestowed on the established market-makers in return for their commitment to quote continuous prices. Instead, a bond-lender has to use a Stock Exchange money broker who lends the stock to a gilt-edged market-maker, a restrictive process which means little use is made of the facility.

The only area where the Bank appears sympathetic to change is that of taxation of interest. This is, however, outside its jurisdiction and a matter for the Inland Revenue, whose priorities are more to do with the most efficient way of collecting tax than with reform of the gilt-edged market.

Senior Bank officials bridle at suggestions from the UK Bond Commission that the bond market is primitive. Indeed, up until now, awareness of its irritation has tended to stifle public debate on reform. Yet it will be difficult for the UK indefinitely to ignore developments elsewhere as governments vie to make their bonds more attractive.

There will be an increasing trend towards harmonisation of market practice as Europe edges towards economic and monetary union, says Greenwell Montagu's Mr Briscoe. "Virtually all these developments (put forward by the Bond Commission) will take place over a period of time."

Whatever the longer-term pressures for change, immediate urgency is lacking. So far, the Bank of England has been able to sell gilts easily; as long as it can continue to do so, rapid change is unlikely.

The name is bond

David Owen and John Willman on new options for local finance

Mr Michael Heseltine's announcement yesterday of increased government funding for UK local authorities was accompa*nied by the customary threats* to curb overspending by councils. Whitehall now has wide powers to cap council spending, gathered over a decade in which central government has tried to reduce local government expenditure and councils have played a cat-and-mouse game to evade controls.

The result has been to create one of the most highly-centralised political systems in Europe. Many council leaders see themselves as little more than administrators of centrally-determined local services. Conversely, the government finds itself held responsible to an unhealthy degree for the quality of local government services it does not control.

There is an alternative model: inviting the capital markets to discipline local authorities, as they effectively do in the US. There, local authorities have considerably greater freedom to levy taxes. They are also free to borrow money on the highly-developed municipal securities *market – and* it is this which imposes a discipline on fiscal profligacy.

> Tax concessions might be needed to coax a British municipal securities market into life

This is because US local authorities' ability to tap the capital markets depends on their creditworthiness. The need to secure a credit rating encourages borrowers to be fiscally prudent, since a low rating increases borrowing costs and can restrict access to certain markets.

The system is not foolproof, as financial crises in cities such as New York demonstrate. But central government can stand back from the fray – an advantage which should be readily apparent to a UK government which has become mired in problems over council spending and tax-raising.

Various proposals to introduce a municipal bond market into the UK have been submitted to the government. And with a review of the structure of local government under way, it is an option which could be attractive as a way out of the impasse between central and local government.

There could be attractions also for a Labour government in encouraging a municipal bond market as an alternative source of finance for spending on homes and infrastructure which might be classed as "investment".

Would local authorities be willing to use bond markets for long-term finance if the option were open to them? In recent years, most council borrowing has been through the Treasury-controlled Public Works Loan Board (PWLB), at interest rates sufficiently close to the appropriate gilt rate to ensure that alternative sources were not competitive. But following a decision taken by Mr John Major in February 1990 when he was chancellor, PWLB rates have moved closer to market rates. A random sounding of council treasurers suggests that some would have no qualms about issuing bonds if they could reduce costs.

"It opens up a whole new ballgame," says Mr Neil Newton, director of finance for the London borough of Hammersmith and Fulham. If an authority *had a "hole" in its* book, had the choice of issuing bonds for the appropriate length of time and could issue them at a cheaper rate than the PWLB was offering, "you would do it," he says.

But there are formidable obstacles to opening up this source of finance for local authorities. The very different circumstances of UK local government do not allow councils the freedom to generate revenue which US municipalities enjoy. If a US authority gets into difficulties it can, for example, increase local taxes in a way that would be impossible in Britain.

And tax concessions might be necessary to nurture a British municipal securities market into life; in the US, concessions allow borrowing at fine rates while offering investors competitive rates of return. The UK Treasury could be expected to oppose such concessions – particularly *since it is not con*vinced of the advantages of encouraging local authorities to turn to the capital markets more widely.

One reason for Treasury scepticism is the experience of local government forays in the markets in the 1980s. Councils lost deposits worth more than £100m when the Bank of Credit and Commerce International collapsed, for example. Similar scepticism is likely from banks which lost money on currency swaps underwritten by councils following a court ruling that contracts entered into by the London borough of Hammersmith and Fulham could not be enforced.

So far, then, municipal bonds are only a glint in the lobbyists' eyes – but one which is finding a response on both sides of the political spectrum. The alternative to releasing central controls is almost certainly to continue strengthening them to the point where all local government spending is financed from central taxation. While this step might be the logical conclusion of the last 20 years' history of relationships between Whitehall and the town halls, it would probably be a fatal blow for local democracy.

OBSERVER

Speaking for his supper

Why does NatWest's Lord Alexander make so many speeches? For the chairman of a bank whose performance has left something to be desired of late, Lord Alexander seems to spend an inordinate amount of time on the hustings.

Last night he was delivering his thoughts on safeguarding the environment to the annual dinner of the Chartered Institute of Bankers at Bristol. A week ago he was pontificating on corporate governance at a National Economic Development Office forum, over the weekend he was interviewed for half an hour on Channel 4's Answering Back, and today he addresses an American Chamber of Commerce lunch on some European matter.

Lord Alexander is an articulate and intelligent spokesman on all sorts of matters and after two years in the top job at NatWest he clearly thinks it is time to add his voice to the great issues of the day. However, his recent record of speachifying outshines that of traditional clearing bank chairmen. Who's he trying to impress?

Not so very long ago, NatWest was Britain's biggest bank. But this title is now firmly held by Barclays and if NatWest's share price wilts much more it could slip into the number three position after Lloyds Bank. It's always nice to hear what Lord A has to say, but there's work to be done back at home.

Ollie's hero

Getting Ollie North, the man who survived six days of grilling on national television by the Iran-Contra committee, to say anything new about his involvement with Britain's Terry Waite is about as easy as getting Ronald Reagan to admit he knew about the whole thing.

But when it came to disclosing the names of his business heroes, he did let his guard slip a little yesterday. No surprises about Ross Perot, the founder of Electronic Data Systems. But News Corp's Rupert Murdoch?

"I greatly admire the man. He built a huge business *empire from virtually nothing*, and has given employment to thousands of people," says North.

Praise indeed for a man who employs many of the newspaper and TV journalists that made Col North's life a misery in the late 1980s. They still seem intent on hounding the man who is trying to start a new career running a company *making light armour*.

Vouchsafe

Things really are getting bad in Brazil. With the rate of inflation rising at around 30 per cent a month, the bands of street children who pester motorists at traffic lights asking for money in not always the friendliest terms are finding little remuneration these days. In desperation, they have taken to holding up placards announcing that they accept luncheon vouchers.

Ted's big day

Ted Elliott has entered the records of British innovation. His TED is a remarkable kind of semiconductor chip that allows British warplanes to fly hedge-high through hills in pitch dark or heavy mist.

The initials stand for Ted Elliott's Device, the name by which this sensor is known among scientists at the Malvern Laboratory of the Defence Research Agency.

Yesterday, Elliott – chief scientific officer at Malvern – won a one-tenth share of this year's £25,000 MacRobert

Award for Innovation in Engineering, the engineering equivalent of a Nobel prize.

Ted's TED is the heart of Nightbird, the GEC system that gives the Harrier and Tornado aircraft round-the-clock, all-weather capability. Brilliant as Nightbird is proving – civil authorities now want it to spot smugglers and rescue people adrift at sea – the inventors were obliged to share their award with another innovation, the Rover Metro.

Another team of five was nominated by Rover to take medals and money for the Metro. It included Alex Moulton, inventor of the famous bicycle that bears his name, but more recently of the hydrogas suspension that gives the car at least some of the versatility that Nightbird can import to an aircraft.

Rubbing it in

Sandoz, like many other large Swiss industrial companies, is putting more effort into courting international investors these days. Hence its image-conscious PR men are a little disturbed to find that their group's new American depositary receipts (ADRs) have just started trading under the *SDOZY symbol*. It would not be so bad if Sandoz was a major producer of sedatives or tranquilisers. But this is the preserve of its more highly rated rival Roche, the inventor of Valium.

Exposed

It is clearly a perilous busi*ness working for Customs and* Excise these days. The most recent annual report, for instance, depicts a young boa constrictor, part of the haul from passengers' luggage at Heathrow.

Meanwhile yesterday's announcement of the appointment of two new commissioners to the nine-strong board was accompanied by a snap of one of the two, *Lis Woods*, who becomes director of VAT control.

She is featured sitting on her bed, right leg in plaster. The press office, which denied she had sustained the injury from an angry VAT evader, explained that Woods' only alternative had been a picture taken in hospital wearing a décolleté nightdress. *As a sign*ed-up member of Opportunity 2000, the department feared that might send even less appropriate signals.

Swinging

The golf professional was teaching on the practice ground when *one of his more* erratic pupils hit a huge slice onto the adjoining dual carriageway. Moments later there was a loud bang, followed by the tinkle of shattered glass and a scream of screeching brakes.

As police and ambulance sirens wailed in the distance, the distraught beginner turned to his teacher and asked what he should do.

"Just move your right hand round a little and swing more slowly next time," came the reply.

LETTERS

Consistency and referendum called for

From Mr F Forbes.

Sir, Mrs Thatcher has consistently argued that European political union would result in a loss of British sovereignty. Mrs Thatcher does not like the idea of an "outside" parliament dictating policies in Britain, and in recent days has called for a referendum on the issue.

However, on November 15 1985 Mrs Thatcher signed the Anglo-Irish Agreement, which gave the government of the Irish Republic a role in the internal affairs of Northern Ireland. This was seen as a loss of sovereignty by the Unionist parties in Ulster, and they also called for a referendum.

The referendum was strongly denied by Mrs Thatcher in 1986. It has been said that Mrs Thatcher was ill-informed about the Anglo-Irish Agreement by her Foreign Office advisers. Perhaps she should now denounce the agreement in order to maintain a consistent approach on the issue of British sovereignty.

F Forbes,
151 Ash Grove,
Queens, New York

From Mrs Iris Hardy.

Sir, I may be wrong, but as I recall Mr N J R Mullan (Letters, November 23) was not a member of Mrs Thatcher's cabinet, and therefore is hardly in a position to comment on what went on in cabinet meetings. As for not allowing the people to speak, they spoke up very well for her in three general elections. With all the main political parties singing the same tune, the only way for the ordinary voter to express an opinion on the European issue is through a referendum.

Iris Hardy,
Windrush,
South Huish,
Nr Kingsbridge,
Devon

A set margin would bring consumer credit into market economy

From Mr Martin Mayer.

Sir, Your leader, "The nervous nineties" (November 23/24) misrepresents as a "cap on interest rates" the attempt in the US Congress to establish a relationship between market interest rates and the rates charged by banks on credit cards. It is hard to understand the *economic* objections to a measure that would create for this form of consumer credit – presumably by contract – a fixed margin between the banks' cost of funds and their interest rates on credit cards. All American commentators consider similar procedures desirable for adjustable-rate mortgages.

Sticky costs are notoriously one of the reasons why recessions drag on and deepen. Immovable interest rates on credit cards are like immovable wage rates in industry as a retardant on recovery. They occur because consumers have poor information and worse opportunities to use the information they do have in purchasing credit. Far from interfering with market rates, a law establishing a maximum margin between, say, Libor and credit-card rates would bring consumer credit *into* the market economy. It would also enhance the efficacy of the Federal Reserve's monetary policy by assuring that open-market operations to change interest rates are transmitted to wider sections of the economy.

To the extent that such a measure would reduce banks' oligopolistic power to overcharge consumers who pay their bills for the purpose of extending credit to people who will not pay their bills, it would also be a boon for bank stockholders. The false premise that credit risk of any kind can be actuarially determined has severely damaged the American banking system (not to mention the mental health of credit junkies, adolescents and low-income families). Losses to banks from unwise extension of credit to consumers who cannot handle it are mounting rapidly. The apparent profits from such lending are dropping *pari passu*, and when all the steps have been taken these profits may well prove to have been entirely illusory.

Surely, one of the lessons of the last decade is that governments – especially those that insure deposits – have a function in preventing banks from digging their graves with their teeth.

Martin Mayer,
33 East End Avenue,
New York NY 1002H, US

Takeover Panel inflicts death of thousand cuts to bid procedure

From Mr J P Carrington.

Sir, It appears from the announcement by Mr Peter Lilley, the trade secretary, last week that there is to be a further delay before the question of the referral of the Williams Holdings bid for Racal to the Monoplies and Mergers Commission is finally resolved.

The decision by the Takeover Panel on Monday that the bid timetable should be frozen until the trade secretary is satisfied his conditions have been complied with will compound the problem and impose yet more delays.

As holders of both companies, we are increasingly concerned at the potential damage to both companies caused by the prolonged period of uncertainty which has resulted from the lengthening of the offer period in this case. Even more important, it seems that the 60-day offer period – which has been a key element in the success of the London market in handling takeovers in an orderly manner – is suffering the death of a thousand cuts at the hands of the Takeover Panel. The panel should be urged to hold to the principle of the 60-day offer period, which is in the best interests of the shareholders and all concerned other than advisers and managements eager to defer the fateful day.

J P Carrington,
John Carrington & co,
44a Bedford Row,
London WC1R 4LL

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

A question of commitment

From Mr F Graham Appleby.

Sir, Edward Mortimer (Foreign Affairs, November 20) asks why Britain and Italy jib at the Franco-German proposal requiring the Western European Union to "act in conformity with the directives" of a future political European Union.

Britain and Italy (and possibly Spain) are the only WEU countries capable of effective fighting other than in national self-defence, or beyond the Nato area, as demonstrated recently in the Gulf.

Accordingly, I imagine they are deeply concerned at the possibility of receiving directives from the Union regarding the commitment of, in effect, Italian and British armed forces, rather than of combined Union forces.

In recent days, your paper has reported that:

- France now plans to separate conscripts from regular forces so that the regulars will be available for combat (significant forces were not available for the Gulf because of the conscript non-combatant policy);
- Germany has reiterated that its constitution prevents deployment outside the Nato area. This time it prevents Germany from participating in Italian, French and British humanitarian naval action in the Adriatic.

Until France has freed up its forces, Germany has changed its constitution and both are ready to participate in operations anywhere for any purpose under Union directives and WEU command, the present Anglo-Italian declaration encouraging the development of the WEU as "the defence component of the Union" seems about right.

F Graham Appleby,
10 Residence des Thermes,
5 Quai Voltaire,
Le Pecq, France

Girobank is a choice, but not BT's choice

From Mr Roger Hambrook.

Sir, Mr Tony Vardy, BT's director of service development, says in his letter of November 25 that "BT believes that it is in everyone's interests for (its) customers to be able to pay for (its) services with the financial instrument of their choice".

Why then did BT withdraw the facility to pay its bills by the financial instrument of *my* choice, namely Girobank transfer?

Other utilities and commercial organisations are happy to accept payment by Girobank transfer. Why does BT not listen to its customers?

Roger Hambrook,
57 Tudor Road,
Barnet,
Hertfordshire

Czechoslovak bond defaults

From Mr Adolphe J Warner.

Sir, Your correspondent's comment (International Capital Markets, November 13) that "Czechoslovakia has never defaulted on its international debt obligations" is at variance with the records of the UK Council of Foreign Bondholders and of the US Foreign Bondholders Protective Council. According to the latter source, the 8 per cent dollar bonds of the Czechoslovak Republic, issued in 1922, and of the Cities of Greater Prague and Carlsbad in 1924, defaulted on the latter in 1934 and on the former in 1939. They have remained in default ever since.

A settlement offer in 1946 extended the maturities of both the dollar and the sterling bonds to 1960, but was repudiated by the communist government in 1952, when service was again suspended. The government discontinued service on the sterling debt in 1959, and unilaterally offered to settle the British claims for 75 per cent of face value, an offer that the Council of Foreign Bondholders rejected.

The US claims were subsequently settled at significant discounts from their face value by a distribution of former Czechoslovak-owned assets seized by the US government and allocated through that government's Foreign Claims Settlement Commission some 20 years later.

The Czechoslovak government has done nothing to cure this default through negotiation with the holders of its dollar bonds, which remain in default to this day.

Adolphe J Warner,
chairman,
Global Asset
Management Associates,
955 Park Avenue,
New York

Edward Mortimer

An empire in tatters

The Soviet Union's security agreements must be made binding on its successor states

FOREIGN AFFAIRS

Picture yourself, if you can, as a European diplomat. Let's call you Professor Dr van Winkel. Last year you served on your country's delegation to the talks in Vienna on Conventional Forces in Europe (CFE).

Your country belongs to Nato; so you laboured long and hard to impose ceilings on the number of tanks, artillery and armoured combat vehicles the Soviet Union would be allowed to deploy west of the Urals; and to avoid potentially aggressive concentrations of Soviet equipment within reach of Nato's own frontiers, you also insisted on sub-zones with sub-ceilings. It was a difficult and complex negotiation, rendered all the more so in its closing stages when east Germany changed sides, and those left on the other side (the Warsaw Pact countries) ceased to negotiate as a team. But in the end you and your colleagues managed to nail it all into place, and on November 19 1990, in Paris, the CFE treaty was signed. The keystone of the new European security order was in place.

Perhaps you overdid the champagne. More likely you were just exhausted by your efforts. Anyway, you fell asleep during the celebrations and slept for a whole year. Last weekend you came to, and found yourself still in Paris, attending a seminar at the Western European Union's Institute for Security Studies.

The title of the seminar – The Soviet 'revolution' and its impact on European security – seemed at first unexpectedly historical. But wait. Didn't you hear the words "sub-zone" and "sub-ceiling"? Yes, a Belgian gentleman is talking about your very own CFE treaty. But what on earth is he saying? "It may be supposed, for instance, that the three Visegrad countries will urge the Baltic states to sign the treaty, in order to impose a limit on the concentration of Byelorussian and Ukrainian forces. For this purpose they will perhaps find an *ad hoc* ally in the leader of Russia." It makes no sense. Better go back to sleep.

The trouble is, it does make sense, in the light of things that have happened while you were asleep. The "Visegrad countries" are Poland, Czech-Slovakia and Hungary. The Baltic states are now independent but have not yet decided whether to sign the CFE treaty. The Soviet Union, which was your main adversary and interlocutor in last year's negotiations, has ceased to exist, being replaced by a shadowy entity called the Union of Sovereign States (USS). Ukraine and Byelorussia have also declared independence, and seem set on having their own armed forces. Whether they will be part of the USS is far from clear.

Your sub-zones were based on Soviet military districts, not on republics whose independence, even a year ago, you could scarcely imagine. One of the sub-zones comprises the three Baltic states, Byelorussia, the Kaliningrad enclave (which belongs to Russia), and part of Ukraine. If the Baltic states sign the treaty, they can presumably claim the right to a share in the quota of 6,300 tanks the treaty permits in that sub-zone. If not, Ukraine and Byelorussia may claim most if not all of the quota, outnumbering the 4,000 tanks allowed to the Visegrad states.

But that sub-zone forms part of a larger zone which also includes the Moscow and Volga-Ural military districts, formerly a Soviet rear zone in which most equipment was kept in storage rather than in active units. Now those districts are becoming frontier districts of Russia, but the treaty imposes aggregate limits on the quantities of equipment that can be kept in active units in the two sub-zones taken together; so that the more Ukraine and Byelorussia have, the less will be allowed in the adjacent parts of Russia. Hence the suggestion that Russia has an interest in bringing the Baltic states into the treaty, so that the Ukrainian and Byelorussian quotas will be reduced. (And you thought last year's negotiations were complex!)

All this has been worked out by the Belgian speaker, Mr Eric Remacle, who hails from a research institute in Brussels called GRIP. It is understood by some specialists in Moscow think-tanks which are, or were, branches of the Soviet Academy of Sciences – and are therefore, like the Soviet armed forces themselves, looking around for new paymasters. Whether the political leaders in Ukraine or in other republics which are busily trying to "nationalise" their share of the Soviet armed forces have any inkling of it is much more doubtful. Meanwhile the treaty has yet to be ratified, and any decision now taken to ratify it by the Soviet rump parliament (the Council of State) will probably not be accepted as binding by Ukraine or other republics.

There is a danger that, as the Soviet Union unravels, the network of arms control measures agreed with it will unravel too

There is a real danger that, as the Soviet Union unravels, the whole network of arms control measures agreed with it will unravel too. While CFE may be most important to Europe, the greatest global concern is the Nuclear Non-Proliferation Treaty. Until a few weeks ago the comfortable assumption was that if the Soviet Union broke up its position as a nuclear weapons state would simply be inherited by Russia. Other republics, led by Ukraine and Kazakhstan, both of which have suffered from nuclear fall-out (the former from Chernobyl, the latter from tests at Semipalatinsk), declared their eagerness to do away with nuclear weapons.

But already they have begun to change their tune. The alliance between Russia and the other republics to resist the power of the old communist centre really ended with the abortive coup on August 21. Now Russia has re-emerged as the potentially dominant power, and the other republics are nervous about allowing it a nuclear monopoly. They have realised that "repatriating" nuclear missiles to Russian territory can be both difficult and dangerous. Even destroying them on the spot will be very expensive, and will probably require western help.

Soviet spokesmen have sought to reassure the rest of the world that nuclear weapons remain under central control. But according to one Russian speaker at the Paris seminar this applies only to strategic weapons, while two-thirds of all Soviet nuclear warheads are "tactical". These, he said, were stored in practically all the republics, and though they had been withdrawn from the Baltic states, Transcaucasia and Moldova, nothing had been said about southern Russia, which is now in ethnic turmoil. Moreover, he said, the older tactical systems could be fired mechanically, without the use of any electronic "key"; and even if they were transferred to Russian territory there would be a problem of storage, since existing facilities were overloaded.

As has been seen in the Iraqi case, nuclear proliferation is not simply a matter of hardware but also of human expertise. The Soviet armed forces, suddenly orphaned with no state willing to own them and probably no budget to pay for them, include many nuclear experts who will now find themselves out of a job. It is all too likely that some of them will move to the Third World, with or without hardware, as "nuclear mercenaries". Reports of contacts between the Soviet mafia and the Medellin cartel even raise the chilling possibility of nuclear narco-terrorism.

What is the answer? It is no good hoping, at this stage, that the centre will regain control over the republics. The process of disintegration is inexorable and the west must deal with authorities, at whatever level, that actually function. Some of the republics may at least prove viable, and may be willing to co-operate with each other, given firm western support. But that support should be conditional on their accepting and implementing the obligations inherited from the Soviet Union, especially in the field of arms control; and – where obligations and entitlements are quantifiable – on their agreeing among themselves how to share them out.

PERSONAL VIEW

State aid and the reform of political finance in the UK

By Vernon Bogdanor

The next election is likely to be the most hard fought since 1974. In so tight a contest, the smallest of advantages could prove crucial. For this reason, the question of company donations to the Conservative party is likely to become important for those who believe the parties should have an equal opportunity of putting their case before the electorate.

In the last election in 1987, the Tories spent about £8.9m, Labour about £4m, and the Alliance about £1.2m. Some, though by no means all, of this imbalance was because the Conservatives have more paying members and more individual contributors; but much of it stemmed from the role played by company donations.

There is no legal requirement for parties to reveal their funding sources, and Conservative party accounts do not disclose corporate or individual donors. But it seems that 50-60 per cent of the £15m central income of the Tory party in 1989 derived from company donations. This compares with about 70 per cent of the Labour party's total income of £4.3m in 1989 which came from trade union contributions.

Trade unions, however, if they wish to maintain a political fund, have been required, since the Trade Union Act of 1984, to ballot their members every 10 years. Moreover, individual trade unionists may "contract out" of contributing to this separate political fund. No similar requirements are placed upon companies. They do not have to obtain the consent of their shareholders to make political donations, nor are there any provisions for "contracting out". It is possible, therefore, that a pension fund contributor is also indirectly contributing to the Conservative party, even though he or she may not be a supporter of the party.

Companies are required, since the 1967 Companies Act, to notify all donations of more than £200 made for political purposes in their Directors' Report. Recently, Pensions Investment Research Consultants questioned FT-SE 100 companies on their policy with regard to political donations. The results reveal that most companies do not make political donations; but of the 35 which did, only three had consulted their shareholders. BET, the industrial services group, puts a resolution to shareholders every three years, and in 1989 the directors secured near unanimous approval for making political donations at their discretion. Marks and Spencer, on the other hand, in response to a request from shareholders, put the matter to a vote in which there was a majority against political donations, although most shareholders did not vote.

There is, in theory, a strong case for treating trade unions and companies similarly in respect of political donations. Though it seems apparent that there would be big administrative difficulties in any attempt to allow shareholders to "contract out", there is no reason why companies should not be required to obtain the prior approval of their shareholders before making donations.

The reform of political finance would probably prove a huge source of relief to corporate Britain

The best solution, however, would be to lessen the role of institutional finance. Britain is one of the few democracies in which institutions play so large a role in the provision of political funds. In most European democracies, public funds are provided to political parties, usually in proportion to the vote which the party received at the last election, and subject to a threshold.

In north America, the state provides incentives for individual contributors through tax concessions or the provision of matching funds. These incentives are used as leverage to ensure that political parties meet certain minimal standards of democratic accountability. In Britain, the provision of state funding could be accompanied by a requirement that the parties produce audited accounts, disclosing the sources of all donations. The parties would become legally responsible for the money they raise and spend.

The principle of state aid to the political parties is already recognised by the payment of enhanced salaries to the leader of the opposition and the opposition whips, and the provision, since 1975, of funds to the opposition parties to help them carry out their parliamentary work. This is an important recognition of the principle that the existence of an effective opposition is just as important to democracy as an effective government. This principle is, however, confined to the work of the parties within parliament. No state aid is provided for the parties' work outside parliament, such as research. Yet, if aid is provided for the parties within parliament, this presumably releases funds to be spent outside parliament. The basis, therefore, for the distinction between funds paid to the parties for their work within, but not outside, parliament seems shaky.

One argument for state aid is the need to remedy the financial disparities between the main parties so that each has an equal chance to put its policies before the electorate, and the need to provide resources for the opposition parties to shadow government effectively. But perhaps the main argument is the need to lessen the role of institutional donations. Most directors are probably embarrassed by the question of political contributions, while shareholders and pension funds might prefer their companies to concentrate on their corporate objectives. Thus the reform of political finance would probably prove a huge source of relief to corporate Britain.

The author is reader in government at Oxford University, and a fellow of Brasenose College

FINANCIAL TIMES
Wednesday November 27 1991

Commission likely to clear bank's stake in steelmaker

By **Andrew Hill** in Brussels and **Charles Leadbeater** in London

THE European Commission is today almost certain to approve the controversial FFr2.5bn ($460m) purchase by Crédit Lyonnais of a 10 per cent stake in Usinor Sacilor, the French state-owned steelmaker.

Sir Leon Brittan, the competition commissioner, will ask his fellow commissioners to clear the state-controlled bank's investment on the grounds that it is not a form of disguised state aid.

The sanctioning of the deal will upset private-sector steel makers led by British Steel and the main German ones, such as Thyssen.

They fear publicly-owned steel producers could resort to covert subsidies to see them through the downturn in the European steel market.

Private sector producers have also become concerned at the refinancing of Ilva, the Italian state-owned steel maker.

A string of private sector British steel companies have claimed that European steel prices have been driven down to unsustainable levels because public sector producers can rely on state subsidy.

British Steel was supported in its questioning of the Usinor deal with Crédit Lyonnais by Mr Peter Lilley, Britain's trade and industry secretary. It is likely to respond to the EC decision in the next few days.

The Commission employed an outside consultant – Société Fiduciaire Suisse (SFS) – for its four-month initial examination of the case. SFS looked at Crédit Lyonnais' justification of its investment and apparently concluded that the decision had been taken independently of the French government.

SFS also decided that a private investor would have been justified in investing in Usinor Sacilor, had it been a publicly-quoted company.

Sir Leon's recommendation is unlikely to meet serious opposition in the Commission, and means that Brussels will not have to investigate whether the investment is compatible with EC competition policy.

The FFr2.5bn investment was part of a complex reshuffle of investments in which Crédit Lyonnais ended up with a 20 per cent stake in Usinor Sacilor after transfers from the state shareholding.

Critics of the policy, such as Mr Lilley, had argued that it was simply a way for the French government to avoid the scrutiny of the Commission.

The SFS approach to the case is likely to be used by the Commission as a benchmark for future inquiries into restructuring in the French state sector.

The decision may also have a bearing on plans to take a FFr1bn stake in Air France announced by Banque Nationale de Paris in the same week in July as the Crédit Lyonnais acquisition.

If that investment goes ahead it would fall to Mr Karel Van Miert, the EC transport commissioner, to investigate. He indicated in July that he saw no reason to launch a full inquiry.

Last week, Mr Van Miert approved the French government's FFr2bn capital injection for Air France.

India leads countries reluctant to back resolution on crisis

UN split on action over Yugoslavia

By **Judy Dempsey** in London and **Michael Littlejohns**, UN Correspondent, in New York

THE United Nations was divided last night as the Security Council met to prepare a resolution on the civil war in Yugoslavia.

UN members nevertheless agreed that no peace-keeping troops would be sent into the breakaway republic of Croatia until there was a lasting ceasefire, western diplomats said yesterday.

Diplomats said a resolution, which would form what they described as "part one" of the UN's timetable on Yugoslavia, would not mention the largely ineffectual arms embargo already imposed, or a possible future ban on oil deliveries to the warring factions.

Some countries were against the adoption of a resolution and simply wanted Mr Javier Pérez de Cuéllar, the UN secretary-general, to make a statement.

Diplomats said a statement would have far less effect than a resolution on the warring parties. Those supporting only a statement, described by diplomats as "minimalists", are led by India and Romania, which holds the presidency of the Security Council.

"Some countries say the UN is interfering in the internal affairs of Yugoslavia," a western diplomat said.

In contrast, the "maximalists", led by France and the UK, want Mr Cyrus Vance, the UN's special envoy to Yugoslavia, to be able to return to the country with a Security Council resolution.

Diplomats spoke of a possible "ink blot operation", under which UN troops, if sent, would form buffer zones in areas of tension once a ceasefire in Croatia was fully effective. They stressed, however, that "if there is no peace to keep, there will be no peace-keepers sent".

Mr Vance is due to return to Yugoslavia on Sunday where he will hold another round of talks with President Franjo Tudjman of Croatia, President Slobodan Milosevic of Serbia, and General Veljko Kadijevic, the federal defence minister.

"A lot will depend not only on that visit, but on these coming days to see if all the sides in the conflict really want peace-keeping troops to be deployed. The real test isthe ceasefire," a diplomat said.

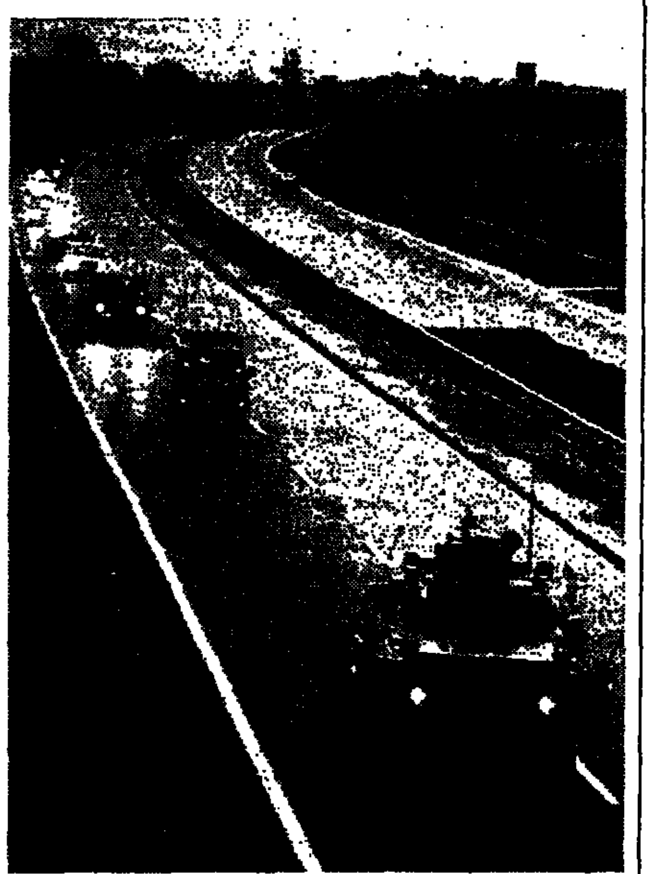
He added that if there was a ceasefire in place, the size and logistics on sending the troops would be discussed at the UN following Mr Vance's return to New York.

Mr Douglas Hurd, the UK foreign secretary, said yesterday that Britain would not send ground troops to Yugoslavia. It would instead send naval logistical support.

Between now and then, western diplomats are hoping the Croatian authorities will lift the blockades on federal army barracks throughout the republic.

The barracks have been surrounded by Croatian forces since September. The Croatians fear that if if the blockades were lifted, the army would leave the republic with its weapons and equipment, regroup, and then send reinforcements to the eastern Croatian city of Osijek, which the federal army has been bombarding since the surrender of Vukovar a week ago.

Moreover, as part of the ceasefire arrangement (the 14th so far) agreed in Geneva between Mr Tudjman, Mr Milosevic, and Mr Kadijevic last weekend, the federal army agreed to withdraw from Croatia, and at the same time, disarm the Serb paramilitary units and reservists.



Federal army units heading from Zagreb for Bosnia

For its part, the Croatian authorities agreed to disarm its own paramilitary units. Last Saturday, Mr Tudjman ordered the arrest of Mr Dobislav Paraga, head of the far rightwing nationalist Croatian Party of Rights, which has been calling for a general mobilisation of the population.

Croatia and Serbia continue to disagree on where any UN peace-keeping troops should be deployed. Croatia wants them to be sent to areas where fighting is taking place, while Serbia wants them to go to areas already seized by the Serb-dominated federal army, and Serb paramilitary units.

In Croatia there was a lull yesterday in fighting around Osijek, which following its bombardment by the federal army over the past few days.

Brussels clashes with airlines over fares

By **Paul Betts**, Aerospace Correspondent, in London

THE European Commission will spark off a confrontation today with British Airways and four other European airlines by trying to force them to cut business class fares between the UK and several European cities.

Mr Karel van Miert, the EC transport commissioner, is expected to ask the Commission, the EC's 17-member executive arm, to back demands for cuts in business class fares offered by BA, Air France, Alitalia, Scandinavian Airlines System and Olympic of Greece on about 30 routes from the UK to other European countries.

The Commission's move follows complaints by the UK government and Britain's Civil Aviation Authority that airlines have increased fares by an unjustified level on several services since the introduction of the EC's more liberal air fares policy a year ago.

It will be the first time the Commission has intervened to ask for cuts in government-approved air fares. The issue is therefore expected to become a test case for the future of European air transport liberalisation by questioning whether there should be a degree of control on what airlines can charge or whether the market should dictate fares.

Under the new EC "double disapproval" rules, increases in air fares between two European countries can only be blocked if the governments at both ends object. The old system enabled a government to veto any changes in air fares.

The CAA said last night it had referred to the EC 90 cases of fare increases it regarded as unjustified since the new rules came into force. Although the UK had objected to the increases, the other countries involved had either given their approval or had approved them by default by failing to make a formal decision allowing the airlines to raise their fares.

The CAA said airlines had been quick to seize the opportunity of the new price regime to raise fares. A London-Brussels one-way business class ticket costing £118 in October last year increased to £130 in December and to £138 in January. London-Rome one-way business class rose from £213 to £224 and then to £237: London-Athens from £280 to £294 to £312: Birmingham-Paris on the same basis rose from £150 to £158 to £166 by January last year. Since then business class fares have continued to rise.

The CAA said the Commission had been investigating the complaints it filed in three batches to protect the interests of passengers in a more liberal EC air transport regime.

Moi orders arrests over murder of Kenyan minister

By **Michael Holman** and **Julian Ozanne** in Nairobi and **William Dawkins** in Paris

KENYAN President Daniel arap Moi, under unprecedented pressure at home and abroad, yesterday ordered the arrest of Mr Nicholas Biwott, his former ministerial confidante, in connection with the murder 20 months ago of Mr Robert Ouko, the foreign minister.

Mr Biwott, the former energy and industry minister was, until his sacking last week, regarded as the second most powerful man in Kenya.

Within hours of the announcement police also arrested Mr Hezekiah Oyugi, dismissed last month from his job as permanent secretary in charge of internal security, and a senior provincial government official.

The Ouko family lawyer, suspected of withholding information, has also been held.

At the same time, Mr Moi summoned his party's governing body to an emergency meeting within the next 24 hours to discuss latest developments in the corruption and murder scandal that has rocked his government.

The actions led to further speculation that he plans to call a general election as early as February and are seen as an attempt to restore Kenya's tarnished image abroad and defuse domestic opposition. Although he has ruled out a multi-party system in the near future, some observers believe that independent candidates may be allowed to stand.

They coincided with an announcement from aid donors meeting in Paris that they were withholding their response to Kenya's request for new assistance for six months and warning the government that further help would depend on progress in economic and political reforms.

The donors' decision represents the first significant application in Africa of the two-year-old World Bank policy which links aid levels to "good governance" and human rights.

The decision, the result of a two-day aid conference is a blow to the Kenyan government, given the SDR400m ($557m) gap between its income and needs over the next three years. But it is little surprise given the growing calls from western aid donors for the government to curb corruption and speed up economic reforms.

"Delegates made clear their willingness to support Kenya's economic development, but stressed that the levels of aid from Kenya also depend on clear progress in implementing economic and social reforms," said the communiqué agreed by the 12 countries and six international institutions present.

Professor George Saitoti, Kenya's vice-president and finance minister, said he was satisfied with the meeting because it showed that "donors are not walking away from Kenya." There was a "frank and honest discussion" about allegations of corruption and the government was committed to getting reforms under way.

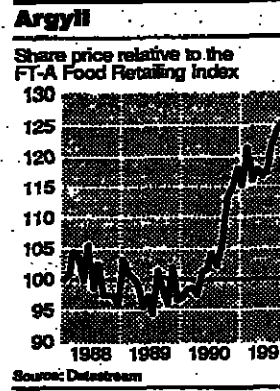
Mr Moi, challenged by opposition movements, yesterday called a halt to the judicial inquiry into the Ouko murder. He ordered the police to act "immediately" on evidence that had emerged during the 244-day inquiry, and to carry out further investigations.

Mr Biwott the businessman, Page 4

THE LEX COLUMN

The elusive charms of the FT-SE

FT-SE Index: 2,471.5 (+15.3)



Source: Datastream

Yesterday's rise in the W.H Smith share price, market chatter had it, was based on the rumour that it will shortly join the FT-SE index. It is perhaps time for the market to ask itself whether this actually matters. Company chairmen, advisers and shareholders tend to assume that inclusion in the ranks of the top 100 UK companies confers an automatic premium on the rating. This does not seem to have been empirically tested, nor is there any obvious reason why it should be so.

It is not as if those who meet quarterly to revise the FT-SE constituents have any real discretion. The rules under which they operate are transparent, requiring that any company already in the index which has fallen below 110th by market capitalisation must be excluded and that any outsider which has risen beyond 90th place must be brought in. Rights issues and bids can be taken into account, and a list of reserves is on standby to fill dead men's shoes (NFC being allocated Hawker Siddeley's slot this week).

The market's assumption appears to be that FT-SE stocks are automatic buys for the index funds. In the US, price fluctuations of companies going in and out of the S&P 500 can indeed be explained in this way. But UK index funds typically track the much more broadly based FT-A All Share index. Overseas investors are sometimes said to be more inclined to buy FT-SE stocks, but this is vague anecdotal stuff. And while the FT-SE futures contract may influence its constituents, it does so in both directions.

As for empirical evidence, a rough sample of 11 companies which joined the FT-SE 100 in 1989 and 1990 and 13 which left it contradicts the market's instincts. Obviously, the new arrivals all outperformed the All Share in the 12 months before qualifying: in the following year they underperformed by 16 per cent on average. And while the losers kept on falling, they did so more slowly after their departure.

Argyll

The 4 per cent rise in Argyll's share price on yesterday's interim figures represents the balance between opposing forces. On the one hand is the plain evidence that competition in food retailing is hotting up, as confirmed by the news that Tesco, Argyll and others are to break the law by opening on Sunday over the Christmas period. Then again, Argyll is doing rather better than some of its rivals, as shown by a continued sharp increase in its margins and a fractional rise in like-for-like sales volume.

Nevertheless, the rate at which Argyll is eating cash remains slightly disturbing. After a £387m rights issue and a £92m payment from Guinness, it will end the year with net cash of around £150m. That will promptly vanish into next year's gap between cash flow and Argyll's £550m of planned capital expenditure. Within the following year or two, the aim is that gearing will settle below 30 per cent and that the group will then live within its balance sheet. As with so much in UK food retailing, the plan leaves little to chance. But there is some reassurance in the fact that as a relative newcomer to the sector, Argyll displays at least some caution in its assumptions. The established arrogance of such as Sainsbury and Tesco is more disturbing again.

National Power

When a self-styled manufacturing company produces a 24 per cent rise in interim operating profits and a 19 per cent increase in earnings per share, investors might reasonably expect a pleasant increase in the dividend. Curiously, National Power raised its interim payment by a mere 9 per cent, so perhaps it is a utility after all. Coincidentally Norweb, one of the regional electricity companies, raised its interim dividend by 13 per cent. So whatever one thinks of National Power in the long term, the immediate case for investing in its shares was thus seriously undermined. The typical REC yields a third more than the market average and British Gas 54 per cent more. National Power offers scarcely any premium at all.

The company had reasons for restraint, not least a wish to avoid political criticism. Its policy will be to husband its profits at least until 1993 when coal contracts are re-drawn and uncertainty is largely removed from the market. That means dividend cover, now 3.7, might rise as high as 5.

But there are equally good reasons to think that such rude health will attract unwanted attention, however cautious the dividend policy. Take the issue of National Power's gearing. Instead of rising as forecast at the time of flotation, it has fallen sharply to 11 per cent. Clearly, the company will be able to meet its investment needs much more cheaply than assumed by the government, which implies higher profits again. The stronger its financial position becomes, the more carefully National Power will have to tread to avoid charges of duopoly abuse. It matters little whether it or rival PowerGen is actually guilty. The point is that both must be seen to be innocent if the regulator is to be kept at bay.

Allied-Lyons

If nothing else, the new top management at Allied-Lyons has made an energetic start: the brewing merger with Carlsberg, the pub deal with Brent Walker and now the sale of the old Showerings business for £140m. The group's interim results show the strains on the drinks industry clearly enough, with pre-tax profits up just 1 per cent and the second half looking no better. But the management has at least been clear on its priorities: to get rid of the unwanted bits of the empire and to impose stricter central controls on expenditure and cash generation.

Then again, neither objective is particularly surprising for a group with Allied's sprawl of businesses and with financial controls which failed to stop huge foreign exchange losses earlier this year. Nor is Allied's claim to have improved its focus wholly convincing, given that its commitment to brewing must now be slightly uncertain and that it is not yet in the same class as Guinness or Grand Metropolitan in wines and spirits. Since the currency disaster, the shares have outperformed the market by almost a quarter. The market may prefer to await fresh evidence of change before pushing them further.

Consumer confidence falls

Continued from Page 1

accord. But the White House is not pressing for a special session of Congress to consider tax legislation after this week's Thanksgiving recess.

The drop in consumer confidence will intensify fears that retailers face a grim Christmas season. It also increases the risk of a "double dip" recession although economists are still hoping for marginal growth.

The Conference Board said concern about job security probably accounted for much of the drop in confidence. The proportion of respondents saying jobs were plentiful fell to 4.8 per cent compared with 13.7 per cent a year ago when the economy was firmly in recession. This was the lowest reading for eight years.

The proportion of respondents reporting bad business conditions rose sharply to 49 per cent, compared with 40.7 per cent in October.

Christian Democrats to offer trade-off

Continued from Page 1

Dutch treaty draft retains a general let-out clause on Emu for those states which do not wish to proceed to the third and final stage which includes adopting a single currency. It now seems more likely that only Britain will use it.

Dated November 22, the let-out clause says: "A member state shall not be obliged to participate in the third stage of Emu if it notifies the Council before the meeting" of the EC summit which is to decide whether, and precisely when, to adopt a single currency.

The previous formulation had a reference to national parliaments which, awkwardly for the minority Danish government, aroused the interest of the Folketing's powerful market committee. But the UK told its partners that it had no need for national parliaments to be specifically mentioned.

The other change has been to specify that a government wanting "exemption" from a single currency should make its desire known sometime "before" the relevant EC summit called to decide on Emu later in the decade. The timing of was left vague in the previous draft. The change appears to cater specifically for the UK, because it is the only government currently reticent over full Emu. This would mean last minute waverers would find it hard to use the clause.

WORLDWIDE WEATHER

FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday November 27 1991

INSIDE

UK construction group in German deal

John Mowlem, the UK construction and building services group, yesterday joined the small number of British companies which have purchased businesses in the former East German republic. Mowlem is paying DM15m ($9.2m) to acquire Bau-Tec, a construction and concrete products company based near Berlin. Sir Philip Beck, Mowlem chairman (above), said yesterday that the company had been looking for a German partner to capitalise on redevelopment opportunities in east Germany, potentially one of the most exciting construction markets in Europe. Page 24

Accor to come under pressure

Accor, the French hotels group, yesterday escaped a BFr100m ($3m) fine by answering disgruntled shareholders' questions about its FFr2.2bn ($391m) bid for Wagons-Lits before a court deadline expired. However, Accor is still likely to come under renewed pressure today to raise its offer for the Franco-Belgian company. Page 18

Generating better profits

National Power, the UK electricity generator privatised in March, yesterday reported interim pre-tax profits up 18 per cent. It said it had taken a cautious approach to dividend policy, and stressed it faced uncertainties over the future price of fuel. Page 23

Brazil frustrates hopes

Just a few months ago, the Brazilian stock market was one of the hottest in Latin America. Overly eager investors were soon disappointed. The bad news has been piling up ever since. Back Page

Treasurers divided over hedging

UK company treasurers are now deeply divided among themselves about which types of currency risk should be hedged. In particular, companies are split between those which hedge against the effects of foreign exchange movements when overseas earnings are translated into sterling for accounting purposes, and those which do not. Page 22

Chinese to survey Iran

Iran is in a hurry to make up for the years it has spent in isolation since 1979 following the Islamic revolution. Mr Hossain Mahlouji, Iran's minister of mines and metals, said he has been roaming the world looking for help. Now China has joined the growing list of countries helping Iran to increase its minerals production. The Chinese are to help with the geological survey which aims to cover the whole of the country in the next two years. Page 27

Market Statistics

Base lending rates	36	London traded options	22
Benchmark Govt bonds	21	London tradit options	22
FT-A indices	22	Managed fund service	32-35
FT int bond svce	21	Money markets	36
Financial futures	36	New int bond issues	22
Foreign exchanges	36	World commodity prices	27
London recent issues	22	World stock mkt indices	37
London share service	30-31	UK dividends announced	23

Companies in this issue

Alcoa Aluminio	20	Maxwell Comm	23
Amber Industrial	24	McDonnell Douglas	20
Asahi Mutual Life	20	Metro Radio	23
Bank of Montreal	20	Millwall Hldgs	24
China Steel	20	Monks Inv Tst	24
Christie Group	24	Mowlem (John)	24
Citibank	23	National Power	23
Concentric	24	Nippon Life	20
Dai-ichi Mutual Life	20	Nordbanken	18
Fairfax	20	Norweb	23
Foster's Brewing	20	Premier Oil	23
Gartmore Value	24	Sketchley	23
International Paper	20	Southnews	24
Intl Brewing Hlds	20	TVS Entertainment	23
Kajima	20	Taiwan Aerospace	20
Kubota	20	Toshiba	20
Larsen and Tubro	18	Tourang	20
Lasmo	23	Ultramar	23
Martin Currie Euro	24	Walker & Staff	24
		Young (H)	24

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bayer-Hypo	383	+	9
Continental AG	220.2	+	6
Horten	189.9	+	3.9
Rhein West El	406.5	+	8
Falls			
Klockner Werke	110	−	3.1
Lahmeyer	750	−	30

NEW YORK ($)

Rises			
Digital Equp	$64\frac{3}{8}$	+	$2\frac{3}{4}$
IBM	$97\frac{7}{8}$	+	$2\frac{3}{4}$
Live Entertain	$7\frac{3}{4}$	+	1
Mattel	$28\frac{3}{8}$	+	$1\frac{1}{2}$
Falls			
Daniel Inds	$10\frac{3}{8}$	−	$2\frac{1}{2}$
Merck	$143\frac{1}{4}$	−	$1\frac{3}{4}$

PARIS (FFr)

Rises			
Cogifi	349	+	17.8
Falls			
Eurocom	570	−	25
Gaumont (Soc N)	615	−	47
Hachette	171.4	−	8.4
Intertechnique	635	−	24
Redoute	4650	−	215

TOKYO (Yen)

Rises			
Daito Wool	1230	+	200
Godo Shusei	1700	+	170
Ikegami Tsush	1100	+	100
Old Elec Cable	800	+	60
Falls			
ST Chemical	1580	−	140
Toyo Sanso	1220	−	300

LONDON (Pence)

Rises			
Amberind	313	+	15
Argyll Group	$280\frac{1}{2}$	+	$10\frac{1}{2}$
Erskine House	81	+	11
Haemocell	163	+	15
Kewill Systems	308	+	14
Maxwell Comm	55	+	11
Midland & Scot	41	+	11
Proteus	215	+	19
Sainsbury (J)	335	+	10
Sebe	469	+	14
Smith (WH) A	461	+	11
Southnews	71	+	4
Tomkins	385	+	14
Walker & Staff	116	+	20
Whitegate's Leis	16	+	$2\frac{1}{2}$
Young (H)	66	+	7
Falls			
Attwoods	99	−	10
Chestex	$3\frac{1}{2}$	−	$4\frac{1}{2}$
Fairline Boats	488	−	30
Molins	338	−	21
Psion	151	−	16

Siemens wins race for Skoda power unit

By **Ariane Genillard** in Prague

SIEMENS, the German electrical and electronics company, has won the race to acquire control of the energy division of Skoda Koncern, Pilsen, Czechoslovakia's main producer of nuclear and conventional energy generating plants.

This is the largest investment by Siemens's energy subsidiary, KWU, in eastern Europe and strengthens the German group's position as a manufacturer of power plants in the region.

Under the agreement in principle signed on Monday, Siemens will acquire 67 per cent of the energy division of Skoda Pilsen, valued at an estimated $170m.

Fromatom of France, which has co-operated with Siemens in the production of nuclear energy for the past two years, will acquire a smaller, undisclosed stake. Siemens beat competition from Westinghouse of the US and Asea Brown Boveri (ABB), the Swiss-Scandinavian power group. The venture will be known as Skoda Energy.

The Germans have agreed research and development and marketing in the venture should be independent of the parent.

Mr Daniel Arbess, of US law firm White and Case which advised Skoda, said: "This independent status confirms the safe passage of a Czech company into the world market as a serious competitor."

Other commitments include maintenance of employment levels and the participation of Skoda-appointed board members in key managerial decisions.

The German company will continue Skoda's production of steam, hydro-electric and fossil-fuel turbines. It will also open three businesses: gas turbines, nuclear retro-fit and waste management products, and environmental technology.

Siemens intends to use its partnership with Skoda to gain access to the company's markets in nuclear energy production.

Skoda Energy will contribute to the completion of Czechoslovakia's two unfinished nuclear plants.

An important part of Siemens' work will be the upgrading of the environmentally damaging coal fire power plants in northern Bohemia. Talks will continue for the sell-off of other divisions of Skoda Pilsen, one of the largest engineering companies in Czechoslovakia, with a turnover in 1990 estimated at $500m.

A deal of this size has to be approved by the Czechoslovak government but it is expected to get the go-ahead.

German chemical group says recovery in next 12 months unlikely

Bayer profits fall to DM695m

By **Paul Abrahams** in Leverkusen

BAYER, the German chemicals group, yesterday reported a 6 per cent fall in third quarter pre-tax profits to DM695m ($439.8m), compared with DM740m for the same quarter last year.

The results, although better than its rivals BASF and Hoechst, confirmed the poor state of the German chemicals industry.

Earnings for the first nine months fell 4 per cent to DM2.64bn, compared with falls of 16 per cent at BASF and 22 per cent at Hoechst over the same period.

Mr Hermann Strenger, group chairman, said the company was benefiting from cost-cutting measures and a move away from basic chemicals to consumer products.

However, he warned that business in the fourth quarter was subdued and that earnings for the full year would be slightly below those in 1990. Demand for basic chemicals remained weak, particularly in the US, he said, and a recovery was unlikely over the next 12 months.

No large acquisitions were being considered for the next two years as the group was still absorbing previous purchases, Mr Strenger said.

Earnings from Polysar, the Canadian synthetic rubber company it bought for $1.06bn last year in the German group's largest-ever acquisition, had been below expectations and were not covering financing costs.

Bayer plans to continue its cost-cutting programme, which by the end of the year should have saved DM240m. The company planned to cut more than 1,000 staff next year.

Capital expenditure would be reduced from DM3.7bn in 1990 and DM3.2bn in 1991 to DM3bn next year, he said. However, the company would continue to invest in worthwhile projects and planned to put DM1bn into pharmaceutical research and development next year.

Turnover for the first three quarters increased 3.1 per cent from DM31.5bn to DM32.5bn, although more than two thirds of that increase was accounted for by acquisitions and favourable exchange rates. Sales of the health care division for the first nine months rose 10 per cent to DM6.5bn, while turnover in agrochemicals improved 2.6 per cent to DM4.3bn.

Mr Strenger refused to predict the likely dividend, saying it would depend on the last quarter and first six weeks of the next financial year.

Sentiment stacked against the UK supermarket sector

Consider this anomaly: according to most analysts' forecasts, the big three UK food retailing companies all promise double-digit earnings growth this year – yet the rating of the shares of J. Sainsbury, Tesco and Argyll Group stand at a discount to the market.

On Kleinwort Benson's forecasts for this calendar year, the food retailing sector is trading on a prospective multiple of about 12, compared with the market average of 14.

Yesterday Argyll announced a 24 per cent improvement in pre-tax profits to £177.8m ($316.5m) yet its prospective multiple recently slipped into single figures. Over the past three and a half months the food retailing sector has underperformed by 15.3 per cent. Why?

As ever, the stock market is driven by sentiment as much as by fundamental appraisal of investment criteria, and adverse comment has been abundant this year. In part this has been a by-product of the food retailers' own action. Sainsbury, Tesco, Argyll Group, Asda and Morrison's have all staged rights issues this year picking up more than £1.8bn from shareholders.

But the sheer scale of investment taking place has raised fears of market saturation. Between them, the big three food retailing chains will this year invest more than £2bn – equivalent to one-fifth of the total capital expenditure of UK manufacturing industry.

One fund manager said yesterday that saturation continued to be "the big question" affecting sentiment.

But shareholders' doubts have also been raised by a spate of

negative comment suggesting a price war in the sector.

Mr Paul Smiddy, food retailing analyst at Kleinwort Benson, says: "I blame it all on the press. It is their fault for fanning the flames of the price war story."

Sir Ian MacLaurin, chairman of Tesco, blames some stockbrokers: "I put it down to ill-informed circulars that have been produced by analysts who do not understand the business world."

These scare stories have been given added credence by the poor levels of volume sales that food retailers have experienced this year – Tesco, Sainsbury and Argyll have all reported negative-to-minimal volume sales growth.

Falling food price inflation has exacerbated the problem. Food prices last year were rising at a rate of about 7 per cent but seem to be growing at only 4 per cent in the second half of this year.

Argyll profits rise ......Page 18
Lex ....Page 16

This turbulence in the market has been interpreted by some analysts as proof of saturation. But Mr Tony Macneary, of County NatWest, says it is likely to be only temporary. "We are suffering a short-term sales glitch not a margin problem. Falling price inflation has coincided with recession taking volumes out of the market," he says.

Mr David Webster, Argyll's deputy chairman, predicts that investors who have sold out of the food retailing sector in search of recovery elsewhere will return. "Sentiment will start to turn. As a sector we have been shot to pieces for no good reason. If you contrast this sector's balance sheet strength and earnings potential with other sectors then it is a nonsense," he says.

John Thornhill

Conti to report significant 1991 loss

By **David Waller** in Frankfurt

CONTINENTAL, the German tyre group, yesterday warned that it would report a "significant loss" for 1991 after taking into account the DM100m ($63m) cost of closing its Canadian plant and setting up a reserve for what it called "future-oriented restructuring measures".

Reporting an increase of 6.8 per cent in sales (excluding recent acquisitions) for the nine months to the end of September, Conti said that it had experienced "divergent trends" during the course of the year, against a background of strongly deteriorating earnings in the tyre manufacturing sector.

Earnings at ContiTech, the industrial rubber subsidiary, and the European tyre business had been positive overall, balanced by continuing heavy losses at General Tire Group in the US. With sales likely to be up 9 per cent to DM9.3bn for the full year, Conti said it would make a profit for the full year before non-recurrent costs.

Conti had little to say about the state of talks with Pirelli of Italy, which first tried to take over the German company last summer. It is widely expected that Conti and Pirelli will announce plans before the end of the year for mutual co-operation, although it remains to be seen how Pirelli and supporters will be compensated for the shares they bought in Conti at substantially higher prices than today's levels.

Conti said recent talks had "proceeded in a good atmosphere" with the aim of investigating possible co-operation; the discussions were said to be making good progress.

The cost of closing the plant at Barrie, Ontario, will have an impact of DM100m before tax on group profits. On top of that will come the unquantified restructuring reserve. Mr John Lawson, analyst at Nomura in London, is predicting that earnings before these one-off costs will fall from DM11.1 per share last year to around DM3 for the current year.

Conti did not give details of its restructuring plans, saying only that its goal for the next year was to restore its business with car manufacturers to "an economically viable basis". This would be done through further improvements in efficiency and special attention would be devoted to the recuperation of General Tire in the US and to an improvement in earnings in the truck tyre business.

Analysts said that some European plants could also be closed as part of the restructuring.

Leucadia ends four-year battle for control of Molins

By **Bronwen Maddox** in London

MOLINS, the UK-based precision engineering group, yesterday finally shook off its predator Leucadia National, the US financial conglomerate, which has sold its entire 48.4 per cent stake to institutions.

The sale marks the end of a bitter four-year struggle for independence by Molins, during which it has seen three takeover bids and two attempts to seize board control.

Mr Michael Orr, Molins's chairman, said Leucadia's exit was a "very satisfactory solution" which would free Molins from "the distractions that have been a feature of recent years".

Leucadia's 14.9m shares were yesterday placed at 332p by Cazenove, the stockbrokers, with 80 per cent of the stake going to eight UK institutions.

A spokesman for Leucadia said: "The world is a precarious place in which to tie up capital with no influence, and we were offered a good return on the original cost of the stake."

Leucadia says it has made a $19m (£10.70m) profit on holding the stake, excluding dividends. It bought most of the stake in March 1990 for 252p a share from Sir Ron Brierley, the Australasian entrepreneur, who had made two unsuccessful bids for the company.

It last added to its holding at 400p in August. Molins shares yesterday rose 4p to 363p.

Leucadia's exit follows its failure at Molins's October 1 EGM to win board control by replacing three Molins directors with six of its own.

When Leucadia's previous attempt to win board control failed in August 1990, Mr Ian Cumming, chairman, said: "We're a bulldog holding on to Molins, and we're not going to let go."

Molins repeatedly attacked Leucadia's EGM resolutions as a manoeuvre to win control without making a full offer to shareholders. Although Leucadia made an unsuccessful bid in May 1990, it refused to do so again without access to company files.

At the October EGM Molins also won shareholder permission to increase its share capital "for acquisition purposes". That may have been the final straw for Leucadia because it equipped Molins with a device to dilute Leucadia's stake.

Without dilution, Leucadia could have taken its stake to 50.5 per cent in August 1992 as Takeover Code rules allowed it to buy a further 2 per cent a year.

IBM announces worldwide shake-up

By **Louise Kehoe** in San Francisco

INTERNATIONAL Business Machines yesterday announced plans to reshape its worldwide operations by splitting the giant computer company into an organisation of increasingly independent companies and business units.

The reorganisation "will lead over time to a fundamental redefinition of how IBM does business", said Mr John Akers, chairman. "We will be taking a series of steps to enable each business unit to better focus on its own opportunities, be more responsive to its own customers and accountable for its own results.

"Our business has historically been managed and measured as a singled integrated organisation. In the future, each individual business unit, including product development groups and geographic business units will be managed and measured independently against its own financial model," added Mr Akers.

Each main business unit or company will eventually report its financial results individually and the compensation of its executives will be tied to its performance.

The changes, over a period of years, "will give IBM maximum flexibility to decide on the level of investment that it wishes to make in any one of these businesses", Mr Akers said.

"Currently we own all of them, but in the future we may be sole owners, majority owners, minority stake holders or divest individual business units depending upon their ability to contribute financially to the corporation. This will also give us the opportunity to create new businesses, or to acquire businesses."

IBM also said that it will take a $3bn restructuring charge against fourth quarter earnings to cover the costs of reducing its workforce by 20,000 over the next 12 months.

The restructuring will result in cost savings of about $1bn in 1992 and about $2bn each year thereafter, the company said.

"We are seeing improvement in the pace of business as shipments of our new product lines build, and we believe fourth quarter operating results will be our best this year," Mr Akers said. "However, the environment around the world, with few exceptions, continues to be difficult and highly uncertain, and the industry remains highly competitive. As an important part of our plan, therefore, we will continue efforts to lower costs and increase our competitiveness."

Mannesman sales behind 6% at nine-month stage

By David Waller in Frankfurt

MANNESMAN, the German steel and engineering group, yesterday presented a gloomy picture of depressed earnings and falling orders, reporting a 6 per cent drop in sales to DM15.94bn ($10bn) for the nine months ended September, 1991.

The group, which comprises car part supplies, mechanical engineering and an electronic and electrical division, as well as its traditional steel pipe activities, reported that earnings for the nine months were down on those of the same period last year.

The fall in nine-month earnings, which was not quantified, follows a drop of 27 per cent in post-tax profits at the half-year stage. The group said the setback reflected increased costs associated with the development of its D2 mobile telephone network, and a general weakness in the international market for capital goods.

Mannesman said its Rexroth hydraulics and linear motion engineering unit had suffered because of a general downturn in demand for mechanical engineering products. The performance of the Fichtel & Sachs automotive parts business, meanwhile, was hit by start-up costs associated with new production facilities in domestic and overseas markets, and by the recession in Brazil.

Total sales for mechanical engineering and plant construction, now the biggest contributor to the group's turnover, fell 11 per cent to DM7.03bn. Mannesman blamed the overall fall in sales to the sale of a 65 per cent in the Kienzle data-processing division earlier this year, and the poor condition of the Brazilian economy.

Order intake for the group as a whole was down 8 per cent to DM18.3bn for the nine months; export sales from domestic German companies dropped 11 per cent to DM6.14bn; and revenues from overseas companies fell 7 per cent to DM4.67bn.

Yesterday's statement gave analysts little reason to change their full-year earnings forecasts. Barclays de Zoete Wedd in Frankfurt is predicting earnings per share of DM17, compared with DM22 last time.

BZW says the main reason for the fall will be a loss of DM350m in the mobile telephone division.

Larsen and Toubro rises to Rs944.3m

By R.C. Murthy
in Bombay

OPERATING profits of Larsen and Toubro, the large Indian engineering company, rose strongly to Rs944.3m ($36.6m) in the first half to September, from Rs589.1m a year earlier.

The company, which produces capital goods, benefited from devaluation of the rupee and restrictions on imports introduced this year. Its order book doubled to Rs9.06bn from Rs5.71bn.

Sales and other income rose 17 per cent to Rs7.01bn. Profit margins improved as expenditure rose 15.5 per cent to Rs5.88bn. After providing for depreciation of Rs312.6m, compared with Rs270.1m and for tax of Rs141.4m against nil, net profits were Rs490.4m, up from Rs319.0m. This excluded a Rs170.6m gain on sale of trade investments.

The company said that, because second-half performance was usually better than the first, sales were projected to exceed Rs15bn for the year, and profits would be a record.

L&T has been subject to a takeover bid from Reliance Group, which holds 23 per cent equity.

Ford transfers Jaguar ownership to US

By John Griffiths in London

OWNERSHIP of Jaguar, the loss-making UK luxury car maker, has been transferred from Ford of Britain to its US parent. The transfer, disclosed yesterday, was completed on Friday.

The transaction was described by Ford yesterday as purely technical. Its effect will be to transfer the costs associated with Ford's £1.56bn ($2.79m) purchase of Jaguar, and its continuing losses, from Ford of Britain, expected to make exceptionally heavy losses of its own this year.

When buying Jaguar two years ago, the US parent chose to place Jaguar's ownership in Britain in a bid to lessen public perception of a US takeover of one of the UK's proudest motoring names.

The transaction involves the sale of Jaguar for the original purchase price of £1.56bn, in the form of cash and assumption of some of the debt associated with the purchase.

Mr Henry Wallace, Ford of Europe's treasurer, stressed last night that there would be no effect on Jaguar in terms of management or operating activities. "Everything stays in place exactly", with Mr Bill Hayden, Jaguar's chairman, continuing to to report to Ford of Europe's chairman Mr Lindsey Halstead.

The effect of the transfer will be to strengthen a Ford of Britain balance sheet, severely weakened by the Jaguar burden. Its 1990 accounts showed debt to equity ratio had soared to 3.5:1, well in excess of that sustainable by a stand-alone company.

Mr Wallace declined to identify the precise balance between cash and debt assumption in the transfer, but said it would "significantly reduce" Ford's gearing.

However, last Friday's transfer will not significantly improve Ford of Britain's losses this year. The company has already warned that its accounts for the year ending December 31 will be "much worse" than the £275m lost at the pre-tax level last year.

The accounts will still contain nearly 11 months of Jaguar-linked costs and losses. Last year Jaguar made a pre-tax loss of £66m, and involved Ford of Britain in interest charges of £235m and goodwill costs of £34m.

Argyll posts interim profits up by 24%

By John Thornhill
in London

ARGYLL GROUP, the UK grocery chain which has just collected £100m ($179m) in settlement of its six-year-old claim against Guinness over the disputed Distillers' bid, yesterday unveiled a 24 per cent rise in interim pre-tax profits in the 28 weeks to October 12.

The London stock market pushed Argyll's shares 10p higher to 280p as it welcomed the results and warmed to the announcement that the company would open its stores on Sunday [generally illegal under UK law] in the run-up to Christmas.

Pre-tax profits at the group, which includes the Safeway, Presto and Lo-Cost trading formats, rose to £177.8m from £143.1m. Sales, which were deflated by the sale of group's retail drinks businesses, were 9 per cent higher at £2.66bn.

Mr Alistair Grant, chairman, attributed the rise to the benefits of better sales mix and operating efficiencies and the cost advantages derived from the freehold tenure of its new generation of superstores.

Trading profits grew by 20 per cent to £161.5m and the group's operating margin was lifted by 0.6 percentage points to 6.4 per cent.

Mr David Webster, deputy chairman, reported that there had been "quite measurable trading down" during the half-year as the recession restricted consumers' spending.

Nevertheless, the Safeway chain registered a 0.5 per cent improvement in volume sales from existing stores while food price inflation was running at 5.5 per cent. New stores contributed 8 per cent to the 14 per cent sales growth at Safeway.

The Safeway chain contributed £2.04bn to turnover and £127.8m to operating profits.

The company ended the half-year with net cash of £220m. This will be further boosted by the income from the settlement of its dispute with Guinness.

The interim dividend was lifted by 15 per cent to 3.2p. Earnings per share grew by 14 per cent to 12.1p.

Accor faces pressure to lift offer

By Andrew Hill in Brussels

ACCOR, the French hotels group, yesterday escaped a BFr100m ($3.058m) fine by answering disgruntled shareholders' questions about its FFr2.2bn bid for Wagons-Lits before a court deadline expired.

However, Accor is still likely to come under renewed pressure today to raise its offer for the Franco-Belgian company.

Mr Marc Janssens, the Brussels broker who is representing the dissident institutional investors, said yesterday: "I can't tell you that we will be able to force a higher bid on the basis of the information we have got, but it will certainly help us."

Three groups of shareholders are pressing Accor and Société Générale de Belgique, its partner in the takeover, to increase the bid price from BFr8,650 to BFr12,500. The minority shareholders allege that the two groups won effective control of Wagons-Lits when they bought a 27 per cent stake in June 1990 at the higher price.

On Monday, the Brussels commercial court ordered Accor to provide more information on the bid within 24 hours or face a fine for each day's delay. Mr Janssens indicated yesterday that the dissidents were not happy with all the answers, but were consulting lawyers.

The institutional investors may publish Accor's response, or reveal the new information to the Commission Bancaire, the Brussels takeover authority which approved Accor's 117-page offer document. The commercial court will begin a full hearing into two other cases against Accor on Friday.

Mr Janssens said the institutions – which include funds managed by almost all Belgium's largest banks, and the British group Norwich Union – might simply pass on the new information to the other protesting investors.

Nordbanken expects SKr9.6bn credit loss

By Robert Taylor in Stockholm

NORDBANKEN, the Swedish state-controlled bank, forecast yesterday that it will continue to suffer from high credit losses until 1994.

These losses are expected to reach SKr9.6bn ($1,65bn) this year, contributing to an expected group deficit of SKr4.6bn.

In a prospectus for next month's SKr5.2bn share issue at SKr20 per share, Nordbanken said that the credit losses would "continue abnormally high" in 1992 and 1993 would also "be an especially difficult year" because of more high credit losses.

However, Nordbanken still hopes to stage a full recovery as one of Sweden's leading commercial banks by 1994. It intends to strengthen its position among small and medium companies and have 1m private customers in Sweden while remaining the main bank for the country's local government sector.

Its financial objectives, which are laid out in the prospectus, are to achieve a return on shareholder's equity of 17 per cent after tax and a capital ratio of more than 8 per cent.

The bank hopes to pay a dividend that is 20 per cent of its earnings to its shareholders in line with what it achieved in 1988 and 1989.

These targets are in line with the bank's achievements before the the current credit loss crisis.

Nordbanken believes its rationalisation measures, which were started last spring and designed to reduce costs and improve efficiency, coupled with a much tighter credit policy, should begin to produce results next year.

Between 1986 and 1990 the bank's total assets rose significantly from SKr178bn to SKr411bn while lending to borrowers increased over the same period to SKr180bn.

Nordbanken says in its prospectus that it has introduced a stiff credit policy with sharp supervision of loans. The intention is to keep the level of credit losses down to no more than 0.5 per cent of loans outstanding.

Mr Hans Dalborg, Nordbanken's president, in a foreword to the prospectus, says that the share issue is necessary to improve its capital base thereby enabling the bank to achieve its strategy and fulfil its capital adequacy requirements.

The bank expects its financial targets to be achieved by 1994 but warns in the prospectus that there are risks.

It says that, in the short term, the property market's difficulties continue to be a cause for the large credit losses.

Also, it suggests says that more competition in Sweden's public sector could influence the bank's performance.

The subscription period for the impending share issue will run from be November 29 to December 30 and it will be underwritten with a government guarantee.

Allied-Lyons in £140m sale to management

By Philip Rawstorne in London

ALLIED-LYONS, the UK drinks, food and retailing group, is to sell its cider, perry and British wine interests to management for £140m ($250.6m) in a further strategic move to focus development on its international brands.

The deal was announced yesterday as Allied's new management team – installed in July after a £147m loss on foreign currency dealings – reported competitive performances by all its operations in tough trading conditions to lift first-half profits by 1 per cent to £289m. The result was at the top end of City forecasts.

Showerings, the UK's third largest cider business with brands such as Gaymer's, Copperhead, and Babycham, is to be sold to a management buy-out team, led by Mr John Wilkinson, its managing director, and backed by Candover Partners.

The sale will include VPW, which produces British sherry and wines; and Warninks of the Netherlands, makers of advocaat. Allied retains distribution rights for Three Barrels, the French brandy.

Mr Michael Jackaman, chairman, said yesterday the sale was in line with the group's commitment to three objectives:

- More central control over strategic direction and finances, and a rigorous allocation of resources, including marketing expenditure;
- Increased focus on the group's international strengths in brands and retailing, and the development of joint ventures, such as those with Suntory and Domecq;
- A long-term drive for earnings growth by cutting costs, and improving marketing of key brands;

Some of the benefits of this approach – designed to restore investor confidence – were already evident, Mr Jackaman claimed.

Showerings sale followed the earlier disposal of the Lyons Maid ice-cream business, and Sapori, the Italian confectionery and biscuit company. The group had now shed about 2,000 jobs in the past 12 months.

The Carlsberg-Tetley joint venture – still awaiting approval by regulatory authorities – would help to achieve critical mass in brewing and develop the group's retailing interests.

Leasing 750 pubs to Brent Walker, also subject to approval by the Office of Fair Trading, would be another substantial step towards meeting the requirement to free 2,300 pubs from tied beer supplies by November 1992.

Lex, Page 16

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Foster's bout retires behind closed doors

Kevin Brown and Bernard Simon on John Elliott's fight to keep a hold on the brewer

AFTER a month spread across Australia's front pages, the battle for control of Foster's Brewing has retreated behind closed doors following a truce between Mr Nobby Clark, chairman, and Mr John Elliott, the former chairman and chief executive.

The two avoided a trial of strength at the annual meeting recently after an 11th-hour compromise brokered by Asahi Breweries, the Japanese group which owns 19.9 per cent of Foster's.

However, it is becoming clear that the agreement is likely to have little impact on the underlying instability which has depressed Foster's share price over the past two years.

This is because it does not address Foster's key problem – the indebtedness of International Brewing Holdings (IBH), a private company controlled by Mr Elliott which owns 37.75 per cent of Foster's.

IBH, formerly Harlin Holdings, was formed by Mr Elliott in 1989 to take a blocking stake in Foster's, then called Elders IXL, as a way of preventing a hostile takeover by any of the corporate entrepreneurs then roaming Australia.

The manoeuvre was supported by shareholders, who recognised that Mr Elliott was responsible for transforming the company from an obscure jam-maker into the world's fourth largest brewer.

However, Mr Elliott lost control of Foster's after it lost a record A$1.3bn (US$1.03bn) in 1989-90. Two years later, IBH finds itself lumbered with A$2.5bn in debts acquired to buy shares which are worth only A$1.56bn at the current market price of about A$1.80.

IBH can only repay the debt, when it falls due in November next year, by increasing the Foster's share price to around A$2.70, or by unlocking hidden value in the group's assets.

Last week's deal with Mr Clark and the independent directors who control Foster's is an attempt to achieve this by committing the board to:

- Speeding up the sale of non-core assets worth about A$2.9bn, of which the biggest is Elder's Finance, worth about A$1.7bn net of provisions;
- Increasing the profitability of Carlton United Breweries (CUB), the Australian brewing arm. CUB is expected to make profits of around A$235m this year from 50 per cent of the market, compared to forecast earnings of A$220m for rival National Brewing Holdings, which has 38 per cent of the market;
- Considering Mr Elliott's proposals for a resumption of dividends and a capital return to shareholders, possibly through a spin-off of the non-core assets into a separate company.

John Elliott (left) and Nobby Clark: agreement not enough to stablise group

However, while the deal re-establishes Mr Elliott as a significant influence within Foster's, it does little more than restate the problems facing the group, which the board would have had to face up to in any event.

"It is too late for IBH to survive by relying on share price improvements or rising dividends. It cannot be done fast enough. What they have to do is to get hold of some cash [from] Foster's, which they can only do through a capital return," says Mr Justin Hilford, brewing analyst at Potter Warburg.

Mr Elliott's preferred solution is a spin-off of the non-core assets into a separate company, which could be floated to provide the funds for a capital return of some A$1bn to IBH.

This strategy, however, has already been rejected by the Foster's board because the group's bankers would not agree to a deal which looks suspiciously like the 1980s paper-shuffling activities of companies like Bond Corporation.

The board has also rejected the sale of its Courage subsidiary in the UK, or its 50 per cent of Molson Breweries in Canada, which would destroy the group's strategy of focusing on brewing operations.

However, three other options which could lead to a capital return are under discussion. They are:

- A revaluation of the core brewing assets. CUB, for example, is in the balance sheet at less than A$900m, compared to analysts' valuations of between A$2.1bn and A$2.4bn.
- The flotation of up to 49 per cent of CUB, which could raise more than A$1bn while retaining control of the company in Foster's hands;
- An injection of fresh equity, probably through the purchase of share options owned by IBH, which would raise A$1.2bn for 20 per cent of the company if purchased by an outsider.

The most likely buyer is Molson, which would be interested if it could get a significant stake at the right price. The two companies have forged strong links in North America, and there are close contacts between Foster's and a number of Molson executives.

Asahi is believed to have permission from Australia's Foreign Investment Review Board to purchase up to 26 per cent of Foster's, but has given no sign of wishing to enlarge its holding. Other potential purchasers include Hudson Conway, the Australian property group, and AFP, the Monaco-based investment company.

An equity injection would go a long way to solving Mr Elliott's problems, but it would not be sufficient to provide a capital return of more than A$1bn, which IBH needs to clear its debts. That would require further funding, which would have to be provided from asset sales or borrowing based on a revaluation of assets.

IBH does not have much time to reach agreement with the Foster's board, since it is scheduled to provide its bankers with refinancing proposals by May. However, there are indications that the November debt repayment deadline may be extended, as long as the share price remains firm.

The two main lenders, Hongkong Bank and Citibank, are believed to be fully covered at the current share price of about A$1.80. This means that the decision on whether to put IBH into liquidation would probably be made by BHP, the third ranked creditor, which is owed A$951m in preference shares and capitalised interest.

Around A$500m of BHP's exposure is covered at the current share price, and most of the rest is covered by profits on its shareholding in Beswick, an investment company set up with Foster's to hold BHP shares.

BHP could recover its investment by liquidating IBH and winding up Beswick, but that would trigger heavy losses for lower-ranking IBH creditors, which include leading Australian financial institutions such as National Mutual Life, and wealthy individuals such as members of Melbourne's influential Myer family.

The betting is that BHP is unlikely to force losses on this blue chip group while there is hope that a capital return to IBH which would allow all investors to recover their money. However that will require some tough talking between the Elliott and Clark camps over the next few months, together with a more lasting agreement than last week's last-minute deal.

Bank of Montreal earnings at record

By Bernard Simon in Toronto

BANK of Montreal has overcome a doubling of loan-loss provisions to report record earnings for fiscal 1991, and its highest return on equity in 10 years.

The bank, which is Canada's first to report its 1991 earnings, posted net income of C$595m (US$526.5m), or C$4.63 a share, in the year to October 31, up from C$522.4m, or C$4.20 a share, the previous year. Return on equity rose to 15 per cent from 14.6 per cent.

Fourth-quarter earnings climbed by 22 per cent to C$176m, with a 16.9 per cent return on equity.

Annual earnings were boosted by a 7 per cent rise in net interest income to C$2.7bn and an 8 per cent advance in fee and other operating income to C$1.2bn.

The bank said that fees from securities transactions had risen especially sharply.

Nesbitt Thomson, the bank's securities subsidiary, more than quadrupled its earnings to C$22m from C$5m. Its Chicago-based unit, Harris Bankcorp, posted a 23 per cent improvement in earnings to US$102m.

The bank's assets climbed almost 13 per cent to C$99bn, including a 16 per cent growth in mortgages. But return on assets was unchanged at 0.63 per cent.

Loan loss provisions jumped to C$337.3m from C$168.7m. The recession has pushed up the number of defaulting borrowers, but the bank also noted that its 1990 provisions were held down by a C$90m reversal on a mining loan.

It has been working hard to overcome an image as one of Canada's least imaginative banks. It has made a name for itself over the past year by aggressively leading its Canadian rivals in lowering interest rates.

Fairfax bidding favourite faces official inquiry

By Kevin Brown in Sydney

TOURANG, the consortium formed by Mr Kerry Packer and Mr Conrad Black to bid for Australia's Fairfax newspaper group, appears likely to face an inquiry by the Australian Broadcasting Tribunal (ABT).

Mr Peter Westaway, ABT chairman, said yesterday he had recommended an inquiry into the bid after receiving "important new information" from a confidential informant.

The tribunal has been considering whether to launch a formal inquiry into the extent of the influence over the consortium wielded by Mr Packer, who also controls the Channel Nine television network.

The tribunal has the power to block or reverse the takeover of Fairfax if it concludes that Mr Packer would control the group, even if his influence would be exerted indirectly through associates.

Mr Westaway said he had been pressed to launch an inquiry by critics of the consortium, but warned that the tribunal's role was not to "stop Packer" or any other bidder.

Analysts say the inquiry could damage Tourang by making it harder for the consortium to complete the purchase of Fairfax, which was put into receivership by its bankers last year with debts of A$1.3bn (US$1.03bn).

However, Mr Neville Miles, a Tourang adviser, said the possibility of an inquiry had been taken into account in the bid it submitted last month to Mr Des Nicholl, the Fairfax receiver.

"If we write out a cheque, we certainly won't be asking for it back should the inquiry go against us. We have structured the offer so the Fairfax receiver will not bear the risk of the transaction being completed," Mr Miles said.

In a separate development, Tourang said Mr Malcolm Turnbull, a Sydney merchant banker and lawyer, would leave the consortium's board at the end of the week.

Mr Turnbull gave Tourang a head start in the bidding race by concluding an agreement with holders of US$450m of Fairfax junk bonds which gives Tourang exclusive negotiating rights until mid-January.

However, Mr Turnbull is understood to have disagreed with other Tourang directors on the details of the bid, and on the consortium's proposals for running Fairfax it is succeeds.

Three consortia have made offers of around A$1.3bn for Fairfax, which publishes the Sydney Morning Herald, the Australian Financial Review and The Age, in Melbourne.

Taiwanese groups in deal

CHINA Steel (CSC), the Taiwanese state-run steel group, announced it would invest about T$1bn (US$38.6m) in Taiwan Aerospace (TAC), which is negotiating to buy a stake in McDonnell Douglas, the US aircraft-maker, Reuter reports from Taipei.

CSC said the capital injection was approved by the commission of national corporations and the economics ministry. It still needs cabinet and parliamentary approval.

TAC said the state now held 29 per cent of the company, which is capitalised at US$200m. After CSC's investment, TAC will be about 45 per cent-owned by the government.

TAC has signed a memorandum of understanding with McDonnell Douglas, to buy 40 per cent of worth US$2bn in its commercial aircraft business.

- McDonnell Douglas, meanwhile, said the Bush Administration did not object to the deal when the issue was raised informally, Reuter reports from Washington.

JAPANESE INTERIM RESULTS

Leading life insurers show modest increase

By Robert Thomson in Tokyo

JAPAN'S eight leading life insurance companies reported a modest 3.6 per cent increase in premium income in the first half-year to September.

However, the companies' unrealised profits on stock holdings fell Y2,908bn from the end of March to Y18,706bn ($146.42bn) at the end of September as the Tokyo stock market remained weak.

The reports reflected the change in Japanese capital flows over the past year, with Nippon Life's holdings of foreign securities falling from 14.2 per cent of its assets at end September last year to 11.6 per cent of the total this year.

Nippon Life also reported that real estate holdings fell from 6.2 per cent of total assets to 5.9 per cent, and the company said yesterday that it was watching the downturn in Japanese property prices.

JAPANESE LIFE INSURERS
Results for the first half to September 1991

	Premium income Ybn	% change	Total assets Ybn	% change	Unrealised profit on holdings Ybn	Ybn (March 1991)
Nippon	2,688.3	6.1	28,520.5	9.7	6,003.2	6,916.7
Dai-ichi	1,862.9	4.2	19,855.5	9.4	3,531.9	4,070.1
Sumitomo	1,652.3	7.3	17,199.5	11.5	1,876.7	2,282.3
Meiji	1,164.1	−4.2	11,768.8	10.7	3,110.1	3,430.3
Asahi	914.4	2.5	9,177.3	9.6	1,610.0	1,894.4
Misui	80.8	8.4	7,472.1	11.8	811.3	1,001.4
Yasuda	733.4	3.8	6,452.5	12.3	1,056.9	1,203.0
Chiyoda	492.5	−7.9	5,387.6	12.2	705.8	815.6
Total	*10,315.7*	*3.6*	*105,831.8*	*10.4*	*18,705.9*	*21,613.8*

The life insurance companies generally increased their lending levels, reflecting the increased demand from Japanese banks for subordinated loans.

The eight companies, Nippon Life, Dai-ichi Mutual Life, Sumitomo Life, Meiji Mutual Life, Asahi Mutual Life, Mitsui Mutual Life, Yasuda Mutual Life, and Chiyoda Mutual Life, reported 10.4 per cent growth in total assets to Y105,831.8bn. However, their investment income was down 19.3 per cent to Y3,378bn as the companies were reluctant to sell Japanese stocks.

The life insurance companies have demanded that listed Japanese companies lift their dividend levels, and threatened to offload the shares of companies which refuse to increase payments.

But the accounts released yesterday suggested that while foreign securities were thought to be "risky", investments, holdings of Japanese stocks were increased in spite of the unwillingness to increase dividends and of the chronic weakness of Tokyo stock prices.

Toshiba hit hard by sluggish sales

By Gordon Cramb in Tokyo

WORLDWIDE net profits at Toshiba, the Japanese electronics group, slid 62.7 per cent in the first half to September, to Y26.42bn ($206m). The group was hit by sluggish computer and semiconductor markets.

The company blamed a slowdown in private-sector capital investment within Japan, as well as the recession in the US and Europe. For the year to March, it forecasts that profits would emerge 26 per cent down at Y90bn.

Turnover, which crept 0.8 per cent ahead to Y2,286.3bn at the interim stage, is projected to reach Y4,900bn for the 12 months, up 4 per cent. Sales overseas showed a first-half fall of 10.3 per cent to Y679.8bn.

The results, embracing 128 group subsidiaries, closely mirrored those for the parent alone, announced last month. They came in a week in which Toshiba also unveiled a $500m investment in Time Warner Entertainment. From April, it will have a 6.25 per cent stake in the venture, which groups the Warner Brothers Hollywood studio and cable television operations.

Toshiba's interim profits plunge came in spite of a sharply reduced tax bill of Y38.59bn, compared with Y83.97bn.

- Kubota, Japan's biggest maker of farm equipment and ductile iron pipes, announced that consolidated pre-tax earnings for the first half to September fell 12 per cent to Y13.34bn from Y15.13bn, despite growing sales, AP-DJ reports from Tokyo.

This was mainly because of rising interest burdens and foreign exchange losses. Net profits fell 23 per cent to Y1.82bn from Y2.37bn, while sales advanced 4.1 per cent to Y429.05bn from Y412.07bn.

For the year, Kubota expects to bring net profits up to the previous fiscal year's level, or about Y7.2bn. It sees sales increasing to about Y930bn from Y892.8bn.

Kubota ascribed the first-half gain in sales mainly to stronger domestic demand, especially for agricultural machinery, pipes and environmental facilities such as garbage incinerators.

Overall domestic sales went up 6.6 per cent to Y356.40bn.

Kajima surges 71% to Y23bn

KAJIMA Corp, the leading Japanese construction company, posted a sharp rise in non-consolidated profits. It attributed the advance to an increase in the number of profitable projects completed during the six-month period to September, writes Emiko Terazono in Tokyo.

Pre-tax profit surged 47.6 per cent to Y42.3bn ($327.9m) and after-tax profit rose 71.5 per cent to Y23bn. Sales for the first half rose 1.5 per cent to Y725.5bn, and operating profits rose 24.8 per cent to Y37.9bn.

Revenue from its construction and other divisions remained almost unchanged, but orders rose 6 per cent to Y1,275.9bn. Orders for its developmental projects fell 34.1 per cent to Y34.1bn.

International Paper to trim workforce by 1,000

By Karen Zagor in New York

INTERNATIONAL Paper, the US forest products group, said it plans to eliminate more than 1,000 jobs from its 70,000-strong workforce as part of a cost-cutting programme which it hopes will help save $50m a year.

The company is establishing a $60m reserve to cover severance costs. As a result, IP will take an after-tax charge of $37m against fourth-quarter earnings.

IP also said it would adopt the Financial Accounting Standard Number 106 before the end of the year, which will require a one-time, after-tax charge of about $215m.

Although the change in accounting is not mandatory until 1993, IP hopes to "get this charge behind us and remove uncertainty from future periods", said Mr John Georges, chairman and chief executive.

There will be an additional post-tax accrual of $15m spread over the whole of 1991.

The new accounting standard requires the accrual over an employee's active career of the cost of providing post-retirement medical and life insurance coverage.

IP earned $160m or $1.46 a share in the 1990 fourth quarter, excluding special reserves which cut net income to $23m or 20 cents. For the first nine months of 1991, earnings were $345m or $3.13 on sales of $9.5bn.

Alcoa's Brazilian unit warns of worst year

By Victoria Griffiths in Sao Paulo

ALCOA Aluminio, the Brazilian subsidiary of Alcoa, the US mineral group, has warned that 1991 will be its worst year so far.

The company predicted net losses of $30m on sales of $680m, and a spokesman said 1992 results would not be much better.

Mr Alain Belda, the group president, blamed the poor performance on soft international aluminium prices, the Brazilian recession and an overvalued cruzeiro, which hurt the group's competitiveness in the world markets.

"The Brazilian economic situation is disastrous," said Mr Belda. In response to the crisis, the group sacked 1,500 of its 10,000 employees this year and shut down an aluminium plant.

Despite its difficulties, Alcoa is investing in a $225m joint Brazilian venture with Billiton Metals to produce 2.5m tonnes of bauxite a year. Bauxite is used in aluminium production.

Alcoa is not the only aluminium group running into hard times in Brazil. Alcan recently announced the closure of two plants.

Another aluminium company, Albras, is also coping with losses it incurred during a power failure when aluminium hardened in the plant's furnaces, and it was months before the company restored the machinery.

INTERNATIONAL CAPITAL MARKETS

Loan offers to credit institutions in Norway

NORWAY's central bank is to offer loans to support credit institutions following a steep decline in bond prices and general instability in the financial sector, Reuter reports from Oslo.

The bank said: "To contribute to helping credit institutions to continue their activities on the basis of normal conditions for their financing, the central bank will be able to give liquidity loans to companies in a situation where such financing is failing due to reasons unconnected to the individual company."

The bank did not estimate the size of the possible loans. Its conditions for giving such loans would be agreed in each individual case. The Association of Norwegian Mortgage Banks asked last week for state support, but the Finance Ministry said it would consider the situation first.

"The problems several credit institutions have been facing on the bond market in recent days are not due to their economic position," the bank said, adding that their capital adequacy was satisfactory.

"One expects that the situation which has arisen is of a temporary character and that it will be straightened out as the general confidence in the finance market is regained," it added.

Turkey to seek $2bn borrowing next year

TURKEY will attempt to borrow $2bn next year, with half the money to be raised through bond issues in the US, Japan, Germany and the Euro-dollar market, Reuter reports from Ankara.

A Treasury official said Turkey would continue to seek medium-term loans with margins of around one point above the London Interbank Offered Rate, the cost of borrowing before the start of the Gulf war which increased Turkish risk.

"This policy will continue," said the official. "We want to recapture the spreads before the Gulf war and will continue to go for lower spreads and longer maturity.

"I am confident that we will raise as much as we want to at the prices we want," added the official.

Turkey's foreign debt stands at $45bn, compared with international reserves of more than $12bn.

The Treasury will be looking for bond issues with a seven-year maturity. It hopes to raise the remaining $1bn through syndications with a medium-term maturity of five years.

The official said the first issue in 1992 will be Turkey's first yankee bond, delayed due to the Gulf crisis and the elections. JP Morgan is managing the seven-year issue of between $150m and $200m. A yen bond issue will follow.

Four share listings in Japan delayed

THE JAPAN Securities Dealers' Association is to delay the scheduled listings of four shares on the over-the-counter (OTC) market this week as a result of continued stock market weakness, AP-DJ reports from Tokyo.

The listing of a number of new issues on the OTC market and the subsequent over-supply position has been cited as contributing to the decline in the share market.

Tenders for shares of four companies had been set for this week ahead of scheduled listings in mid-December.

It's unclear when the procedure for listing will now resume, an association official said.

Another 20 companies are scheduled to offer tenders for new OTC listings in December. However, an association official said a decision on whether to go forward with those tenders will have to be made based on the market's condition.

The four issuing companies decided to delay their listings this week in response to a request from the association, said an official at Wattman K.K., one of the four companies involved.

The "so-called Sony Music Entertainment shock" is another important factor behind the delay, he added.

Shares of Sony Music failed to trade on the first day of its listing on the second section due to overwhelming selling interest.

Consumer confidence data help Treasuries strengthen

By Patrick Harverson in New York and Simon London in London

NEWS of another big fall in consumer confidence and good demand for a five-year note auction boosted Treasury prices at both ends of the market yesterday.

In late trading, the benchmark 30-year bond was up ¼ at

GOVERNMENT BONDS

100⅝, yielding 7.939 per cent. The two-year note was also firmer, up 1/16 at 100 5/32, yielding 5.433 per cent.

The market opened firmer on reports that a University of Michigan survey showed a sharp drop in consumer sentiment during November, and prices moved further ahead after the Conference Board announced that its index of consumer confidence fell from 60.1 last month to 50.6.

A successful afternoon auction of five-year notes also helped market sentiment, although the day's gains would have been better but for the fact that the market remains unsettled by concern that the administration will over-stimulate the economy, pushing inflation to unacceptable levels.

In the credit markets, the Federal Reserve intervened to lower the Fed funds rate by arranging $1.5bn in customer repurchase agreements. The intervention, however, failed to dislodge the Fed funds rate from 4 11/16 per cent, still well above its target of 4½ per cent.

■ UK government bond prices were little changed yesterday as sterling remained steady on the foreign exchange markets and gilts market participants prepared for today's £1.5bn 20-year bond auction.

The December gilt contract on the London International Financial Futures Exchange closed at 93.12, slightly below the opening level of 93.14. Volume was a healthy 27,000 contracts.

The benchmark 11¾ per cent government bond issue maturing 2003/2007 closed up just 1/16 of a point on the day at 111 21/32 for a yield of 9.98 per cent.

While other long-dated stocks improved, the price of the auction stock – the 9 per cent conversion stock maturing 2011 – was unchanged in grey market trading at 33 21/32 partly paid. This may attract more investors into the auction as the stock is now cheaper relative to gilts of comparable maturity.

■ JAPANESE government bond prices were little moved by weaker than expected industrial production data which showed a slowing in the economy.

The benchmark No 129 issue closed the Tokyo day on a yield of 5.905 per cent, from an opening level of 5.89 per cent.

Industrial production figures for October showed an unexpectedly large 0.4 per cent decline over the previous month.

This is the first monthly decline in industrial production for 53 months and will increase pressure for lower interest rates.

The authorities announced the auction of Y800bn 10-year stock. The stock will carry a coupon of 6 per cent and will be fungible with the outstanding issue No 144 now the most likely issue to take over as the 10-year benchmark stock.

■ GERMAN government bonds rose yesterday following comments from senior government officials that German interest rates may not have to rise again.

The benchmark 8¼ per cent 10-year bund closed at 99.79, up from 99.63 on Monday, for a yield of 8.28 per cent. The December bund future on Liffe closed at 85.95, up from an opening level of 85.80. Volume was 27,000 contracts.

Analysts said that comments by Mr Jurgen Moellemann, economics minister, that German interest rates did not have to rise again had improved sentiment.

However, others pointed out that the Bundesbank is outside formal government control and will pursue its own policy objectives.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.7237	-0.346	9.81	9.80	10.01
BELGIUM		9.000	06/01	99.1000	+0.300	9.13	9.05	9.12
CANADA *		8.500	04/02	98.4500	+0.600	8.73	8.37	8.86
DENMARK		9.000	11/00	99.8250	+0.100	9.03	8.94	8.96
FRANCE	BTAN	8.500	11/96	97.6289	+0.171	9.11	8.99	8.95
	OAT	9.500	01/01	103.4200	+0.290	8.92	8.76	8.80
GERMANY		8.25	09/01	99.8000	+0.110	8.27	8.23	8.34
ITALY		12.000	06/01	96.4200	-0.020	12.66	12.57	12.40
JAPAN	No 119	4.800	06/99	92.6918	+0.073	6.22	6.19	6.24
	No 129	6.400	03/00	102.7611	+0.028	5.90	5.85	5.88
NETHERLANDS		8.500	03/01	98.2700	+0.060	8.77	8.72	8.79
SPAIN		11.800	07/96	99.9000	+0.325	11.87	11.98	11.70
UK GILTS		10.000	11/96	99-30*	+1/32	10.02	9.75	9.80
		10.000	02/01	100-03	+0/32	9.98	9.70	9.80
		9.000	10/08	93-27	+0/32	9.75	9.50	9.56
US TREASURY *		7.500	11/01	100-18	+10/32	7.41	7.32	7.65
		8.000	11/21	100-18	+14/32	7.95	7.84	8.03

London closing. *denotes New York closing. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

Rating of Japanese trust banks cut

IBCA, the London-based rating agency, has lowered the rating of three Japanese trust banks – Sumitomo Trust & Banking, Mitsui Trust & Banking and Mitsubishi Trust & Banking – to AA minus from AA, Reuter reports from London.

IBCA said the downgrading reflected concern over profitability and asset quality. "Because of their sensitivity to interest rate movements, all the trust banks are experiencing a period of very weak operating profitability," the agency said.

Weak earnings mean the banks are less well-placed to cope with the increase in asset quality problems as they suffer rising loan losses and loss of interest on non-performing loans.

IBCA said all three banks, however, have substantial resources which will enable them to deal with their problems, and the ratings are still strong. The short-term ratings of all three banks are A1+.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105⅝	106⅛		6.84
ALBERTA PROVINCE 9 3/8 95	600	108¼	108¾		6.89
AUSTRIA 8 1/2 00	400	103⅞	104¼	-⅛	7.83
BANK OF TOKYO 8 3/8 96	100	103¼	103¾		7.45
BELGIUM 9 5/8 98	250	109⅞	110⅜	-⅛	7.65
BFCE 7 3/4 97	150	102	102⅝		7.27
BNP 8 5/8 94	300	105¼	105⅝		6.46
BRITISH GAS 8 3/8 99	350	103¾	104¼	-⅛	7.71
CANADA 9 96	1000	107⅞	108¼		6.79
CARCO 9 1/4 96	650	103⅜	104⅛	-⅛	8.40
CCCE 9 1/4 95	300	107⅞	108⅜		6.52
COUNCIL EUROPE 8 96	100	103⅝	104⅛	+⅛	7.05
CREDIT FONCIER 9 1/2 99	300	110	110⅝	+⅛	7.64
DENMARK 8 1/4 94	150	104½	105		6.38
DENMARK 9 1/4 95	1571	107⅝	107⅞		6.60
[illegible]					
CREDIT FONCIER 5 1/4 94	20000	97⅞	98⅜	+⅛	6.02
DENMARK 7 95	40000	103¼	103¾	+⅛	5.84
EIB 4 5/8 94	40000	97⅛	97⅝		5.74
ELEC DE FRANCE 5 5/8 96	20000	98¾	99¼	+⅛	5.92
FINLAND 6 3/4 96	50000	102	102¼	+⅛	6.20
INTER AMER DEV 7 1/4 00	30000	107⅛	107⅝	+⅛	6.10
KANSAI ELEC PWR 4 5/8 94	60000	96¼	97	+⅛	6.09
NIPPON TEL & TEL 5 7/8 96	50000	99⅛	99⅝	+⅛	6.05
NORWAY 5 1/8 95	50000	97⅞	98¼	+⅛	5.83
SNCF 6 3/4 00	30000	104	104⅜	+⅛	6.11
SWEDEN 5 5/8 95	20000	98¾	99¼	+⅛	6.03
WORLD BANK 6 3/4 00	50000	104⅛	104⅝	+⅛	6.06

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINSBNK 7 94 LFr	600	94	95		9.64
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98¾		9.22
WORLD BANK 8 96 LFr	1000	96¼	97½		9.08
ABN AMRO HOLDING 9 1/4 01 Fl	750	102½	102⅞		8.83
UNILEVER 9 00 Fl	500	103	103½		8.48
ALBERTA PROVINCE 10 5/8 96 C$	500	105¼	105⅝	+⅛	9.08
BELL CANADA 10 5/8 99 C$	150	104⅝	105¼		9.72
BRITISH COLUMBIA 10 96 C$	500	103	103⅜		9.13
EIB 10 1/8 98 C$	130	104⅛	105¼	+⅛	9.21
ELEC DE FRANCE 9 3/4 99 C$	275	102⅜	102⅞		9.29
FORD CREDIT CANADA 10 94 C$	100	102	102½		9.10
GEN ELEC CAPITAL 10 96 C$	300	103¼	103⅝	+⅛	9.10
KFW INT FIN 10 01 C$	400	102¼	102⅝		9.63
NIPPON TEL & TEL 10 1/4 94 C$	200	104⅛	104⅝		9.48
ONTARIO HYDRO 10 7/8 99 C$	500	106¼	106⅝		9.65
[illegible]					

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
LAND SECS 6 3/4 02 £	84	6.72	83¾	84¾	+13.48
LASMO 7 3/4 05 £	90	5.64	76⅞	78	+47.47
MITSUI BANK 2 5/8 03	200	2337½	92	93⅞	+12.82
MOUNT ISA FIN 6 1/2 97	100	2.283	91	92	+21.44
OGDEN 6 02	85	39.077	74⅞	75⅞	+61.43
SMITH & NEPHEW 4 02 £	90	1.775	118¼	119¼	+54.33
SUMITOMO BANK 3 1/8 04	300	3606.9	77½	78⅞	+16.22
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	87	88	
THORN EMI 5 3/4 04 £	103	7.45	117⅛	118¼	+13.71

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Equity-linked offers from Far East dominate trade

By Tracy Corrigan

A CROP of equity-linked offerings by Far Eastern borrowers dominated activity in *the Eurobond market yesterday.*

The only sizeable fixed-rate offering was a C$250m deal for Kansai Electric Power, the second largest of the Japanese electricity utilities. The Canadian sector suffered a sharp sell-off last week, which caught a six-year deal for Japan's Export-Import Bank. The spread on that deal tightened from 35 basis points to 23 basis points, as a result of the weaker market.

After an extremely strong performance throughout the year, some investors seemed to feel that the sector was nearing the end of its run. But the market has proved reasonably resilient and the currency, which also came under threat, has recovered.

INTERNATIONAL BONDS

However, dealers said that both these deals have relied on Japanese rather than European placement, so the deal does not really test European demand for Canadian dollar securities.

Kansai's five-year deal, launched at a spread of 40 basis points, was bid at 99.33, just above its fixed reoffer price of 99.30, against a firmer government bond market.

An equity-linked offering for *Daewoo Corporation, the flagship company of the Daewoo Group, a leading Korean conglomerate, ran into difficulties.* While the equity warrants were described as attractively priced at a 22 per cent premium, the debt component of the transaction proved unappealing to investors.

In the dollar sector of the equity-linked market, Sanwa Shutter and Misawa Homes each launched four-year transactions totalling $400m. The smaller $140m Misawa Homes deal performed better, trading at 102¾ bid, compared with 101¼ bid for Sanwa Shutter.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sanwa Shutter Corp.(a)♦	260	3⅝	100	1995	2¼/1½	Daiwa Europe
Daewoo Corp.(a)♦	150	5½	100	1996	2¼/1½	Daewoo Secs.(Europe)
Misawa Homes Co.(a)♦	140	3⅝	100	1995	2¼/1½	Nomura Intl.
CANADIAN DOLLARS						
Kansai Electric Power(a)†	250	8¾	100.925	1996	1⅞/1⅝	Wood Gundy
D-MARKS						
Shinsho Corp (a)♦	90	5⅛	100	1996	2¼/1½	Yamaichi Bk.(Deutsch.)
SWISS FRANCS						
Hokuetsu Paper Mills(a)★★♦	120	5⅝	102	1995	-	WPZ
Ohbayashi Road Con.(b)★★♦	100	4½	100	1995	-	Nomura Bk. (Switz)
Kameda(a)★★♦	30	4⅝	100	1995	-	SBC
ADO Electronic Ind.(c)★★§	20	4¼	100	1998	-	Banca del Gottardo

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable 12/12/93 at 102%, declining ½% semi-annually. c) Callable 31/3/92 at 102%, declining semi-annually by ¼% until 100¼% if the average closing price of shares on the Tokyo Stock Exchange for a period of 30 consecutive stock exchange trading days is at least 150% of the average of the conversion price in effect on such last stock exchange trading day.

Kuwait steps up borrowing from banks to $5.5bn

KUWAIT is to borrow $5.5bn *from international banks,* rather than the $5bn it originally sought, following commitments from banks of nearly $7.9bn, it was announced yesterday, writes Richard Waters.

Nearly 80 banks participated in the syndicated deal, led by J.P. Morgan, which marked the first international fundraising by the emirate to finance reconstruction following the Gulf war. According to details published yesterday, NatWest is the only one of the four leading UK clearers which has not participated. Barclays committed $30m, while Lloyds Bank offered $25m and Midland $15m.

Banks to automate small corporate Forex deals

By Richard Waters

BARCLAYS and Midland, the UK clearing banks, have moved to automate small foreign exchange deals by their corporate customers. Both banks are aiming to cut the costs of handling these small transactions, though they also claim the development will make dealing easier and cheaper for customers.

At present, the many small deals done by companies (Barclays says they number more than 1m a year) are made over the telephone, either direct with the banks' dealing rooms, or through a local branch.

The time this takes, and the paperwork involved in processing the deals, imposes a significant cost on the banks.

In response, both Barclays and Midland this week launched personal computer-based systems designed to provide automatic dealing for their customers. They provide foreign exchange rates direct from the banks' dealing rooms, and enable customers to deal at the rates presented to them.

Barclays' system, developed by software house Cognotec, has a ceiling of £250,000 on each order. Midland's will accept trades of up to $2m.

Both banks are offering to provide the software free, though customers will have to pay the costs of dialling in to the banks.

Currency risk hedging hangs in the balance

Simon London finds UK treasurers divided over which exposures should be hedged

Having won the fight to establish currency hedging as a responsible part of financial management, UK company treasurers are now deeply divided among *themselves about which types* of currency risk should be hedged.

In particular, companies are split between those which hedge against the effects of foreign exchange movements when overseas earnings are translated into sterling for accounting purposes, and those which do not.

These *translation* exposures are faced by each UK company which has overseas subsidiaries but accounts presented in sterling. If the UK currency appreciates on the foreign exchange markets, overseas earnings will appear lower.

The same is true where companies have substantial overseas assets. An adverse movement in exchange rates can reduce net asset value from one year's accounts to the next.

Companies which hedge this exposure are trying to iron out volatility in reported earnings and asset value. They point out that fluctuations in reported *earnings per share can distort* the way in which shares are valued by investors.

However, other companies argue that while a depreciation in sterling makes overseas earnings appear lower, it also reduces overseas costs. Hence there is little economic cost from the movement in exchange rates. They argue that there is no justification in spending hard cash protecting the company from a purely "optical" accounting effect.

The dilemma should not be confused with the hedging of currency exposures arising from everyday trading activity. *These are known as transaction* exposures and are now hedged by every leading UK company.

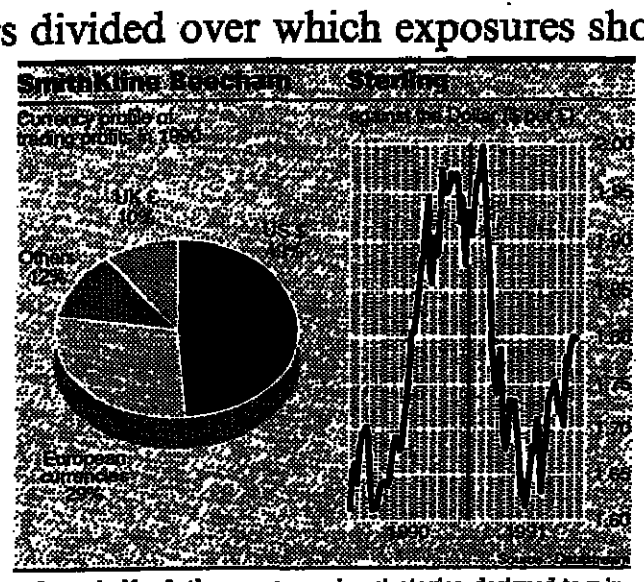
For example, British Aerospace earns dollars from sales of commercial aircraft, yet makes most of its cost and investment decisions in sterling, reflecting a primarily UK manufacturing base. The stream of dollar income is hedged in the forward foreign exchange market so that the company can, at least, be certain of the amount of sterling it will receive from a dollar-denominated contract.

If the company did not hedge, the sterling value of its sales could be subject to wide fluctuations.

While analysts and investors argue about the efficiency of different hedging strategies, few question the basic sense in hedging these transaction exposures.

However, there is still a sharp division of opinion over whether translation exposures *should* be hedged. Two recent surveys produced contradictory conclusions:

● a survey of fund managers, equity analysts and bankers by Midland Montagu found the majority "would expect a company to adopt prudent measures to minimise the effects of foreign exchange movements on profits translation exposure on each years' reported profits."



Over half of those questioned stated that companies which hedge their translation exposure are a more attractive investment than those in the same sector and on similar price/earnings ratios that leave positions unhedged.

● a survey of top fund managers by Touche Ross which found that most institutional shareholders believe foreign currency exposures arising from translation exposures into sterling should not be hedged.

Many said that they preferred to make their own decisions about such currency risks, some said that "hedging which uses real cash to protect an accounting figure are a waste of time and money".

In addition, an increasing number of investors run their own "overlay" currency hedging strategies, designed to minimise the effect of currency movements on their share portfolio. Hedging of translation exposure by companies can work against this overlay.

Yet many companies are unconvinced by these results. For example, SmithKline Beecham, the UK-listed pharmaceuticals group, is a vigorous defender of hedging translation exposures. The company makes 90 per cent of its profits outside the UK but is seen by investors as a UK stock.

Mr Stephen Crompton, group treasurer, said that he aimed to make reported earnings less volatile for the benefit of investors.

"Stable and predictable earnings are more valuable to investors," he said.

In addition, he noted that not all investors had access to their own hedging tools in the same way as large institutional investors.

Like most large corporations, the company takes the average exchange rate through the financial year rather than the rate on the last day of the financial year. It also matches foreign currency borrowings to overseas assets, which minimises the effects of foreign exchange movements on reported asset value.

However, SmithKline Beecham also buys foreign currency in the forward foreign exchange market when exchange rates are favourable and uses currency options to manage translation risks.

A different view is taken by ICI, which last year made 55 per cent of operating earnings from overseas subsidiaries. The company chooses not to hedge any translation exposures.

The difference is partly practical. The level of ICI's overseas earnings is far less predictable than SKB's: all treasurers have bad dreams about hedging anticipated overseas earnings which then fail to materialise.

However, it also reflects a fundamental difference in approach.

"Translation exposures do not have any immediate cash-flow consequences yet any hedging activity will involve cash expenditure," said an ICI treasury official. "Our treasury objectives are more oriented to managing cash flow than managing earnings per share."

French prepare offerings despite prevailing cautious tone

STOCK market volatility has failed to suppress activity in the international equities market, although the tone remains rather cautious, writes Tracy Corrigan.

In addition to the current Crédit Local offering, several French companies are preparing transactions. Christian Dior, the French fashion house, which will seek a listing in Paris in December, will be offering shares to international *investors through an initial* public offering to coincide with the listing.

Crédit Lyonnais is believed to have won a mandate to arrange the offering, which will be around $150m equivalent with a $50m equivalent international tranche. Crédit Lyonnais declined to comment.

A $450m global equity offering of shares in Elf, the French oil company, looks set to emerge before the end of the year.

The largest flotation of a Mexican company to date was launched last week for Televisa.

The offering, in the form of American depositary shares, is divided into three tranches: 4m shares in Mexico, 16m shares in the US and 10m shares in Europe, all arranged by Goldman Sachs.

INTERNATIONAL EQUITY ISSUES

The shares are expected to be priced at $20-$23 each, to raise around $650m. Investor roadshows are being held in Europe this week and in the US next week, with pricing in *the week of December 9.*

The first international privatisation of a Philippine company has been completed, despite some political uncertainty in the Philippines. The initial public offering for Meralco, the electricity utility, was arranged by Baring Brothers. The international offering of 1.7m global depositary receipts included an option for placement in the US market.

Murex, a Canadian medical diagnostics company, is issuing $50m of common stock through an international equity offering. The company has developed what it claims to be the cheapest and quickest Aids test, and is close to gaining approval. The proceeds will be used to finance the acquisition. The transaction, structured as a private placement, is arranged by Barclays de Zoete Wedd.

A handful of US offerings is expected in the international market before the end of the year.

Morgan Stanley is arranging a 6.9m initial public offering for General Nutrition Companies, including a 1.4m international tranche. The indicated pricing for the transaction is $13¼-$14¼.

A share offering for Owens Illinois, a glass manufacturer, will have a 12m share international tranche, via Morgan Stanley.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday November 26 1991: Index No	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Nov 25: Index No	Fri Nov 22: Index No.	Thu Nov 21: Index No.	Year ago (approx): Index No
1	**CAPITAL GOODS (181)**	763.18	+1.0	9.05	6.38	14.07	33.34	755.97	756.45	765.94	727.59
2	Building Materials (23)	925.51	+0.8	7.91	6.73	16.69	41.75	918.27	923.18	933.82	991.33
3	Contracting, Construction (30)	1006.21	....	7.92	7.31	18.03	51.30	1005.68	1012.80	1017.29	1181.64
4	Electricals (11)	2415.97	+1.0	9.98	6.12	12.75	98.23	2392.10	2319.08	2380.49	1918.11
5	Electronics (25)	1675.10	+1.6	11.07	5.70	11.48	52.97	1648.85	1658.03	1681.36	1596.54
6	Engineering-Aerospace (8)	326.79	+0.4	17.15	7.94	7.04	18.52	325.34	327.84	335.50	400.20
7	Engineering-General (43)	463.68	+0.9	10.51	5.40	11.73	17.78	459.52	460.61	461.68	361.62
8	Metals and Metal Forming (9)	318.21	+0.2	2.12	11.06	-	25.21	317.64	323.12	330.60	401.23
9	Motors (12)	304.59	+0.3	8.50	7.91	15.62	17.56	303.58	301.35	305.87	293.64
10	Other Industrial Materials (20)	1515.73	+1.4	7.92	5.39	15.02	58.79	1495.45	1489.32	1507.50	1244.71
21	**CONSUMER GROUP (190)**	1545.80	+0.7	7.48	3.63	16.55	38.15	1534.82	1533.99	1542.31	1211.54
22	Brewers and Distillers (22)	1894.06	+0.1	8.21	3.56	14.80	39.79	1891.92	1896.02	1891.47	1543.43
25	Food Manufacturing (19)	1191.30	+0.8	9.62	4.24	12.87	33.08	1181.37	1177.60	1180.18	1022.33
26	Food Retailing (17)	2335.25	+2.2	9.92	3.53	13.09	58.56	2284.82	2231.21	2239.44	2234.19
27	Health and Household (23)	3983.23	+0.2	5.16	2.42	22.24	72.62	3973.86	4015.02	4007.55	2407.01
29	Hotels and Leisure (24)	1314.51	+0.3	7.76	5.36	15.95	45.61	1310.52	1302.87	1315.09	1230.31
30	Media (26)	1444.92	+1.2	7.28	4.94	17.96	47.66	1428.30	1420.55	1427.14	0.00
31	Packaging, Paper & Printing (17)	737.36	+1.0	7.32	4.51	16.55	24.43	730.28	736.46	738.69	511.50
34	Stores (32)	995.81	+1.3	7.54	3.72	17.40	26.74	983.22	978.01	1010.32	830.25
35	Textiles (10)	623.93	+0.4	7.41	4.98	17.22	21.18	621.66	625.89	626.37	433.89
40	**OTHER GROUPS (110)**	1207.34	+0.7	9.87	5.42	12.80	38.39	1198.59	1192.46	1199.91	1000.76
41	Business Services (12)	1384.50	+0.6	7.18	4.72	17.68	46.93	1375.85	1384.21	1361.16	0.00
42	Chemicals (21)	1392.69	+0.9	7.15	5.27	17.37	54.15	1380.65	1381.89	1389.51	1059.81
43	Conglomerates (11)	1429.12	+1.3	10.11	7.33	11.99	38.95	1410.26	1391.91	1391.55	1309.35
44	Transport (13)	2299.76	+0.8	5.54	4.90	23.79	79.12	2281.99	2272.16	2291.15	1864.26
45	Electricity (16)	1175.64	+0.8	14.94	5.54	8.73	27.53	1166.05	1167.97	1172.96	0.00
46	Telephone Networks (4)	1419.26	+0.8	11.01	4.42	11.86	28.34	1408.02	1392.29	1409.38	1149.30
47	Water (10)	2260.92	+1.1	18.29	6.86	6.04	131.43	2235.65	2244.44	2255.79	2121.90
48	*Miscellaneous (23)*	1778.38	-0.5	5.64	5.57	24.37	73.58	1786.63	1773.37	1793.84	1515.71
49	**INDUSTRIAL GROUP (481)**	1242.38	+0.8	8.53	4.70	14.69	37.70	1232.96	1230.76	1239.34	1029.97
51	Oil & Gas (19)	2287.38	-0.8	11.30	6.14	11.71	104.27	2306.96	2301.17	2319.79	2358.08
59	**500 SHARE INDEX (500)**	1332.87	+0.6	8.85	4.87	14.27	42.97	1325.37	1322.89	1332.29	1138.76
61	**FINANCIAL GROUP (91)**	748.81	+0.8	-	6.23	-	33.01	742.91	737.54	741.84	735.82
62	Banks (9)	879.47	+0.6	4.74	6.06	39.91	37.46	874.54	866.86	873.25	794.01
65	Insurance (Life) (7)	1458.16	+1.6	-	5.81	-	63.68	1435.56	1417.53	1436.69	1310.24
66	Insurance (Composite) (6)	541.77	+0.6	-	8.11	-	32.94	538.38	526.10	525.67	647.86
67	Insurance (Brokers) (10)	1009.63	+1.5	8.09	6.63	16.27	49.14	994.92	992.35	1004.07	976.37
68	Merchant Banks (7)	468.73	+0.2	-	4.58	-	14.84	467.62	474.61	475.62	355.41
69	Property (35)	871.70	+1.0	6.16	5.34	22.98	28.81	862.98	867.90	867.29	983.52
70	Other Financial (17)	240.01	+0.2	11.81	7.20	10.66	11.85	239.44	240.57	242.96	249.28
71	Investment Trusts (70)	1172.67	+1.2	-	3.69	-	30.42	1158.88	1163.58	1170.86	1014.13
99	**ALL-SHARE INDEX (661)**	1192.58	+0.6	-	5.01	-	40.06	1185.34	1182.51	1190.69	1038.59

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 25	Nov 22	Nov 21	Nov 20	Nov 19	Year ago
FT-SE 100 SHARE INDEX‡	2471.5	+15.3	2483.6	2462.9	2456.2	2446.3	2463.5	2472.6	2463.1	2159.5

FIXED INTEREST

	PRICE INDICES	Tue Nov 26	Day's change %	Mon Nov 25	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.63	+0.03	121.60	2.14	10.75
2	5-15 years (27)	133.35	+0.08	133.24	2.68	11.84
3	Over 15 years (8)	141.00	+0.14	140.81	2.56	11.50
4	Irredeemables (6)	154.36	-0.11	154.53	1.07	13.45
5	All stocks (69)	131.92	+0.07	131.84	2.50	11.60
	Index-Linked					
6	Up to 5 years (2)	167.15	....	167.14	0.57	3.16
7	Over 5 years (9)	149.14	....	149.13	1.09	3.83
8	All stocks (11)	150.49	....	150.48	1.01	3.81
9	Debs & Loans (60)	110.76	+0.26	110.47	1.39	10.55

	AVERAGE GROSS REDEMPTION YIELDS		Tue Nov 26	Mon Nov 25	Year ago (approx.)
	British Government				
1	Low	5 years	8.88	8.88	9.49
2	Coupons	15 years	9.69	9.70	10.32
3	(0%-7¾%)	20 years	9.69	9.70	10.36
4	Medium	5 years	10.02	10.02	10.88
5	Coupons	15 years	9.83	9.85	10.75
6	(8%-10¾%)	20 years	9.78	9.79	10.70
7	High	5 years	10.23	10.23	11.02
8	Coupons	15 years	9.93	9.93	10.94
9	(11%-)	20 years	9.84	9.84	10.91
10	Irredeemables		9.86	9.85	10.56
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.87	3.86	3.71
12	Inflation rate 5%	Over 5 yrs	4.28	4.28	4.12
13	Inflation rate 10%	Up to 5 yrs	3.22	3.22	2.42
14	Inflation rate 10%	Over 5 yrs.	4.10	4.09	3.94
15	Debs &	5 years	11.58	11.62	13.32
16	Loans	15 years	11.40	11.43	12.87
17		25 years	11.21	11.24	12.54

‡Opening index 2466.4; 9 am 2466.6; 10 am 2465.0; 11 am 2477.2; Noon 2478.3; 1 pm 2479.8; 2 pm 2481.1; 2.30 pm 2481.9; 3 pm 2480.2; 4.10 pm 2475.3; (a) 2.42pm (b) 9.44am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	26	12	44
Other Fixed Interest	3	5	11
Commercial, Industrial	346	178	968
Financial & Property	171	70	532
Oil & Gas	19	19	54
Plantations	0	0	10
Mines	21	43	88
Others	57	37	53
Totals	643	364	1,760

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	143	110	Baillie Gifford Jap Wrrts	110		-	-	-	-
140	F.P.	-	147	140	Burn Stewart Dist	147		R5.8	2.3	4.5	11.4
-	F.P.	-	2½	2	Butte Mining Wrnts	2¼	-¼	-	-	-	-
?	F.P.	-	110	83	Capital Ventures 1p	83		-	-	-	-
4	F.P.	-	9½	3	Culver 1p	4		-	-	-	-
100	F.P.	-	102	94	Drayton Recovery Trust	95		M7.8	-	10.9	-
25	F.P.	-	26	26	♦Dumas Group 10p	26		-	-	-	64.2
-	F.P.	-	23	17	Eng & Scott. Wrrnts	17		-	-	-	-
-	F.P.	-	320	188	Eurotunnel '91 Wrnts	218	+3	-	-	-	-
■500	F.P.	-	507	473	Fidelity Euro Values Unts	474	+1	-	-	-	-
§235	F.P.	-	283	256	Frost Group	276		a2.0	0.9	1.0	11.8
195	F.P.	-	216	200	JHB Group 10p	204	+3	R7.5	1.8	4.9	15.1
587	F.P.	-	570	563	*Latin Am Extra Yld	563		-	-	-	-
§28	F.P.	-	22	18	M & G Income Cap 1p	18½	+½	-	-	-	-
-	F.P.	-	66	61	Do. Geared Units	62	+½	M4.91	-	10.6	-
§44	F.P.	-	45	44	Do. Income 1p	44		M4.91	-	14.9	-
100	F.P.	-	102	97	Do. Package Units	97		M4.91	-	6.7	-
■500	F.P.	-	505	496	Morgan Grenfell Eq. Unit	501	+2	-	-	-	-
50	F.P.	-	54	39	♦Simpsons of Cornhill 5p	39	-5	-	-	-	12.1
100	F.P.	-	102	101	St. Davids Zero Div Pf	101		-	-	-	-
-	F.P.	-	3	1½	Willis Group Wrnts	2½		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	100¼p	100p	Barings 9¼pc Non-Cum. Prf. £1	100¼p	
10p	F.P.	-	10p	8p	Butte Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	100	98½	Cambourne Inds. 10½pc Rd. Deb. 2001	98½	
100p	F.P.	-	102p	99¼p	Drayton Recovery Tst. Prfd. Growth £1	99¼p	-¼
100p	F.P.	-	103p	101p	Fidelity Euro. Values Equity Ln 2001	102p	
105	F.P.	-	105	100	Greencore 9.5% Cnv Un Ln Stk 1995	100	
34½p	F.P.	-	37p	35¼p	M & G Income Zero Div Prf. 1p	35¼p	
100p	F.P.	-	104p	100¼p	NatWest Bank 9pc Prf Series A	100¼p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
100p	Nil	12/12	12½pm	¼pm	Attwoods	¼pm	-6¼
120	Nil	5/12	23pm	14pm	Brent Chemicals 10p	14pm	
350	Nil	10/1	114pm	79pm	De La Rue	85pm	+6
10	Nil	6/12	1½pm	1pm	Lowe (Robert H) 1p	1pm	
88	Nil	7/12	10pm	3pm	Molynx 20p	4pm	
215	Nil	20/12	38pm	31pm	More O'Ferrall 10p	37pm	
125	Nil	27/12	10pm	10pm	PCT Group 10p	10pm	
7½	Nil	-	3pm	2pm	Ross Group 5p	2pm	
17	Nil	27/12	5pm	1½pm	♦SelecTV 1p	4½pm	-½
282	Nil	23/12	45pm	30pm	Sims Food 5p	30pm	
150	Nil	-	1½pm	1½pm	St. Davids Inv Inc	1½pm	
40	Nil	-	14pm	12½pm	TIP Europe 5p	13pm	+½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ✦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

● First Dealings Nov. 18
● Last Dealings Nov. 29
● Last Declarations Feb. 20
● For settlement March 2

For rate indications see end of London Share Service

Calls in Armour Trust, ASDA, Amstrad, Baker Harris Saunders, Burton, Costain, Dowty, Mountleigh, Osprey Comms., Proteus, Pittencrieff, SelecTV, Trimoco, Wimpey (G) and Willis Corroon. Puts in Maxwell Comm. and Steetley. Put and call in Pilkington.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*687)	550	58½	79½	85½	5½	11½	18½
	600	26½	46½	53½	21	29	36½
	650	8½	24½	32	53	58½	65½
ASDA (*39)	34	7	9½	-	1¼	3¼	-
	40	-	-	7½	-	-	7
	43	2¾	4½	-	6	8½	-
Brit. Airways (*211)	180	34½	40½	43½	1	3¼	6
	200	18	26	29½	4	8	12½
	220	7	16	18½	13½	17½	21½
SmKl Beecham A (*792)	750	57½	78½	95½	8½	16½	21½
	800	28	49	66½	27½	34½	40½
Boots (*423)	390	40	54	58	2	6	9½
	420	17	33½	38	10	13	19
	460	4	13½	18½	38	39	42½
B.P. (*312)	300	18½	24	28½	3¼	7	10
	330	4	9¼	14	18½	23	24½
British Steel (*74)	70	6½	9	11	3	4	5½
	80	2¼	5½	7	7½	9½	11
Bass (*950)	900	51½	73½	88½	12½	21½	28
	950	17½	44½	58½	36½	45½	51½
C & Wire (*538)	500	44½	62	70½	7½	12½	18
	550	14½	31½	43	27½	33½	39½
Courtaulds (*470)	460	26	43	49	10	16½	21½
	500	8¼	24	30	32	34	40
Com. Union (*464)	460	22	29½	37½	11½	21	25
	500	6	12½	21	36½	46	48½
Fisons (*404)	390	27	36½	46	7	13½	15½
	420	10¼	20	30	21½	27	31
GKN (*305)	300	19½	26½	30½	8½	19	23
	330	6½	12½	18½	26½	37½	41½
Grand Met. (*842)	800	54½	70½	93½	11½	20½	25
	850	24½	41½	63½	32½	42	47½
I.C.I. (*1213)	1200	53½	76½	98	27½	56½	61½
	1250	28¾	50	73¼	53½	83¼	88½
Kingfisher (*515)	500	29½	46	50	9	15½	21½
	550	6	21	28	36	41	47½
Ladbroke (*257)	249	15	24	-	5	10½	-
	260	-	-	23	-	-	17
Land Secur (*500)	500	16	30½	35½	11½	16½	24
	550	1½	10	13½	51½	51½	55½
M & S (*289)	280	15½	25½	28½	5	7½	10½
	300	5½	13½	18	14½	16½	19½
Sainsbury (*335)	[illegible]						
Shell Trans (*503)	[illegible]						
Storehouse (*98)	[illegible]						
Trafalgar (*219)	[illegible]						
Utd. Biscuits (*382)	[illegible]						
Unilever (*843)	[illegible]						
Ultramar (*330)	[illegible]						
	360	7½	12½	16½	32½	37½	41½

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*306)	300	24½	27½	31½	12½	24	28
	330	10	13½	19	28	42½	48½
BAA (*489)	460	46	59½	65½	8½	13½	18
	500	19½	34½	42	23½	29½	34½
BAT Inds (*625)	600	46½	56	61	9½	17	23½
	650	17½	29	35½	28½	39½	49½
BTR (*381)	360	31	35	43	7	12½	15½
	390	14½	19½	28	18½	28	30
Brit. Telecom (*348)	330	25½	34½	40½	8	11½	15
	360	10½	18½	24½	23½	26	27
Cadbury Sch (*405)	390	33½	40½	50	11	19	22½
	420	17	26	35	26	32½	35½
Eastern Elec (*236)	230	14½	18½	-	7½	9½	11½
	240	-	-	18½	-	-	19½
Guinness (*502)	500	25½	36	47	15	21½	25
	525	13¼	24	-	28½	34½	-
GEC (*186)	180	10½	15½	18½	4½	7	10
	200	3½	6½	8½	17	19	21½
Hanson (*209)	200	11¼	16	18½	7¼	10¼	12
	220	2¼	7¼	9¼	21½	23	23½
LASMO (*295)	280	29½	34½	42½	8	13½	15½
	300	18½	24	32	18½	22½	25½
Lucas Inds (*124)	120	10½	14½	16½	5	6½	8
	130	5	9	11½	9½	11½	12½
P. & O. (*463)	460	-	34½	40½	-	27½	32½
	472	20½	-	-	22½	-	-
Pilkington (*132)	130	10	15½	16½	8	10½	14½
	140	6	11	13	13½	16½	20
Prudential (*236)	220	24½	27½	31½	3½	8½	10½
	240	11	15½	21½	10½	16½	19½
Racal (*560)	514	73	-	-	10	-	-
	600	23	-	-	56	-	-
R.T.Z. (*528)	500	45½	54	64½	9	18½	22½
	550	18½	26	38½	31½	42½	46½
Scot. & New (*395)	390	19	31½	37½	14½	18½	24½
	420	7½	18½	23	34	37	42½
Tesco (*225)	220	15	20	26	5½	9½	11½
	240	6	10½	16½	16½	20½	22
Thames Water (*342)	330	-	31½	34½	-	10½	14½
	350	11½	-	-	13½	-	-
Vodafone (*362)	360	19	31½	38½	16½	22	24½
	390	8	18½	25½	37	40	42
Hawker Sidd. (*729)	700	22½	42½	50	3	10	12½
	750	5	12½	17½	27½	35	40
Hillsdown (*175)	177	-	10½	-	-	8½	-
	180	3	-	12½	7	-	14½

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*274)	260	16½	25	27½	1½	7	9
	280	4	13½	16½	8	15½	17½
[illegible]	[illegible]						
Glaxo (*769)	750	33½	63½	83½	13½	28½	34½
	800	11½	39½	58½	39	53	56½
Lonrho (*230)	220	13	18	20½	2¼	10½	13½
	240	3¼	9	12½	12	23½	26
Midland Bk (*230)	220	12½	21½	29½	3	8	10½
	240	2¼	12½	20½	14½	18	22
National Power (*147)	140	9½	12½	15½	¾	3¼	6
	160	1½	3¾	7	13½	15½	16½
Reuters (*886)	850	45	79	95	9	27	37½
	900	17	50	72½	28	49½	59
R. Royce (*130)	130	4	8½	10½	4	9½	11
	140	1½	5	7½	12	17½	18½
Scottish Power (*102)	100	3½	7¼	11	2	5½	6½
	110	¼	3¾	7	9	12	13
Sears (*100)	100	2¼	8	10½	4	6½	9½
	110	½	4¼	6	10	12½	14½
Forte (*253)	240	15½	24	27½	1½	5¼	10½
	260	3¼	13	16½	9½	12½	18½
Thorn EMI (*778)	750	33	50½	71½	4½	16	20½
	800	6½	22½	43	26½	41	45½
TSB (*127)	120	8½	12	14½	1½	4¼	6½
	130	3¼	6½	10	5	9	10½
Vaal Reefs (*571)	70	4	7	10	4½	7½	9½
	80	¼	3¼	-	10½	14	-
Wellcome (*858)	850	29½	69½	95½	19½	38	50½
	900	9½	45½	71½	50	63½	71½

EURO FT-SE INDEX (*2475)

	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
Nov	99½	49½	13	1½	½	½	½	½
Dec	125	85½	52½	31	15½	7	2½	1
Jan	-	116	-	56½	-	22½	-	7
Mar	-	156	-	96½	-	54	-	24½
Jun	-	202	-	142	-	95	-	56
Sep	-	235	-	175	-	125	-	85
PUTS								
Nov	2½	4½	15½	52½	102	151	200	250
Dec	15½	25½	40	64	98½	138	182	229
Jan	-	39½	-	79½	-	141	-	223
Mar	-	56½	-	95½	-	147	-	217
Jun	-	82½	-	117	-	160	-	217
Sep	-	87½	-	117	-	165	-	212

FT-SE EUROTRACK 100 INDEX (*1671)

	1050	1075	1100	1125	1150	1175	1200
CALLS							
Dec	42½	24	7½	3	1	½	½
Mar	72½	57½	37½	25	16	11	[illegible]
[illegible]							

FT-SE INDEX: [illegible]

November 26 Total Contracts 24,264 Calls 12,141 Puts 12,123
FT-SE Index Calls 2,826 Puts 5,851
Euro FT-SE Calls 656 Puts 576
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	42	ICI	95	Reed Intl	35	MEPC	42				
Allied-Lyons	50	Comm Union	40	Ladbroke	21	Sears	8½	Mountleigh	4				
Amstrad	6	Courtaulds	38	Legal & Gen	33	SmKl Bchm A	53	■ OILS					
Astec (BSR)	5	Eurotunnel	50	Lex Service	16	TI	30	Aviva Pet	3				
BAT Inds	53	FKI	5	Lloyds Bank	30	TSB	11	BP	26				
BOC	48	FNFC	10	Lonrho	20	Tesco	21	Burmah Castrol	47				
BTR	33	Forte	21	Lucas Inds	12	Thorn EMI	65	Conroy Pet	8				
Barclays	34	GKN	28	Marks Spencer	21	T & N	14	Gaelic Res	1				
Blue Circle	20	Gen Accident	43	Midland Bank	20	Unilever	60	Premier Cons	4				
Boots	33	GEC	16	NatWest Bank	28	Vickers	16	Shell	40				
Bowater	55	Glaxo	110	P & O Dfd	41	Wellcome	60	Tuskar Res	1				
Brit Aerospace	35	Grand Met	67	Racal Elect	6	■ PROPERTY		Ultramar	20				
British Steel	10	GRE	14	RHM	23	Brit Land	27	■ MINES					
Brit Telecom	33	Hanson	17	Rank Org	55	Control Sec.	2	RTZ	46				
Cadburys	35	Hawker Sidd	55	Ratners	12	Land Sec.	41						

UK COMPANY NEWS

Juliet Sychrava on the results from two electricity companies

National Power reaches £202m

NATIONAL POWER, the electricity generator privatised in March, yesterday reported interim pre-tax profits up 18 per cent to £202m in the half year to September 30 1991 compared with a pro-forma figure of £171m. Earnings per share rose by 19 per cent from a pro forma 9.41p to 11.22p.

An interim dividend of 3p was declared. National Power said it had taken a cautious approach to dividend policy, and stressed that the company faced many uncertainties over the future price of fuel, and its ability to secure attractively-priced new contracts with its customers.

Operating profit was 24 per cent higher than the previous year, mainly due to the 10 per cent increase in turnover to £2.14bn, as the contract price of electricity rose by 5 per cent to 3.3p per unit. Inflation would push prices to 3.4p next year, the company said.

National Power stressed that it sold almost all its electricity under contracts, and so was not vulnerable to volatility in the pool or wholesale market price of electricity.

Unit sales were down 5 per cent as intensifying competition from Nuclear Electric and Electricite de France squeezed its market share by 2 per cent.

Overall electricity demand grew by 0.8 per cent, compared with 1.5 per cent in the year to March 1991, but National Power said it did not expect more than 1 per cent growth over the next 12 months.

Operating costs overall rose by 8.6 per cent, as National Power paid to decommission old power stations, and faced higher charges from the National Grid Company.

National Power's fuel bill, however, which is the company's largest single cost, was 6.5 per cent down on the previous year. However, 4 per cent of this was because of lower overall sales, the company said.

While coal costs also fell, this was largely due to the value of the large coal stocks the company holds, as UK and overseas coal prices rose during the year.

Fuel cost savings would eventually flow through to the customer, the company said.

National Power said fixed cost savings would enhance profits for shareholders, as it continued its programme of job cuts. Some 1,300 jobs were lost in the six-month period, giving a workforce of 13,200, and the company plans to halve jobs outside power stations to less than 2,000 over the next 12 months.

The company's balance sheet showed net assets up by £105m, and net borrowings down £26m. Gearing was down from 13.3 per cent to 10.8 per cent, but the company anticipated increased borrowing in the second half of the year, as it began to invest in gas-fired power stations.

See Lex

Norweb generates £33.4m at half year

NORWEB, the Manchester-based regional electricity company, reported pre-tax profits of £33.4m for the six months to September 30 compared with a pro forma loss of £10.2m.

Earnings per share were 12.9p (3.6p losses) and an interim dividend of 5.3p is declared, which was below City expectations. "We could support a higher level of dividend," said Mr Ken Harvey, Norweb's chairman. "But if we pushed the dividend up very high, the regulator would be anxious. We have set a level consistent with our long-term expectations."

The sharp improvement in profits was mainly because of the absence of the £15.2m exceptional cost incurred last year when the company wrote off obsolete assets and made other provisions.

Mr Harvey said underlying operating profit growth was about 10 per cent. This was due to a 1.9 per cent growth in the units of electricity distributed, cost control, and improvement in the retail business, he said.

A colder-than-average spring and improved demand from commercial customers, especially in the Manchester area, helped boost sales. Turnover was £576m (£548m).

In the competitive supply market, where regional companies compete for large customers, Norweb said it retained more customers than budgeted, but would not compete more aggressively by selling electricity at a loss.

Sales fell in the retailing business, but improved margins turned last year's loss into a profit. "We think we are now back around the level that we were in 1989-90, when our retail business made a profit of around £7.5m," Mr Harvey said.

The company said tight financial control helped maintain a strong positive cash flow. Net debt was cut to £114m (£178m), reducing gearing to 26.3 per cent (45.2 per cent).

● COMMENT

Since it was floated on the third lowest yield of the 12 regional companies a year ago, Norweb's share price has slowly improved relative to the pack, and yesterday's results pushed it higher. Although some analysts were disappointed with the dividend which they viewed as a mistaken sop to the regulator, the City broadly expects a more generous full-year payment and some analysts forecast a 15 per cent increase in the final dividend. Moreover, some view the company's cautious dividend policy as a sign that it is balancing the interests of customers and shareholders, while Norweb's good cost control record has also won support. Forecasts for full-year profits range from about £128m pre-tax to £139m, and earnings from about 49.4p per share, putting the company on a prospective p/e of 7, to about 57.9p per share, putting it on a p/e of 5.9.

Premier Oil up 27% thanks to Wytch Farm

By Richard Gourlay

PREMIER Consolidated Oil yesterday reported a 27 per cent increase in post-tax profits reflecting a full period of production from the Wytch Farm oilfield in Dorset where it has a stake.

Sales in the six months to September rose 43 per cent to £20.3m, as a 52 per cent increase in production to 10,395 barrels of oil equivalent a day was only partly offset by a 3 per cent fall in the oil price in sterling terms.

Earnings per share rose from 0.62p to 0.78p; Premier does not pay a cash dividend.

Wytch Farm was operating at full production throughout the period with Premier's 12.5 per cent interest giving the company 3,200 bopd. Thistle and Deveron oilfields were shutdown between April and August for maintenance so that in all but the last six weeks of the period the company was paying operating costs while producing no oil.

Thistle and Deveron are now back to full production, giving Premier a 2,100 bopd share.

Earlier this month, the Department of Energy gave Annex B approval for the development of the Angus field in which Premier has a 6.06 per cent interest.

Mr Roland Shaw, Premier chairman, said operating cash flow for the period remained strong at £11m. Backed by a rising production profile Premier was persuing a continuing programme of exploration and acquisition.

Mr Shaw said the company still viewed favourably the prospects of finding oil and gas in the Far East. Earlier this month Premier and three partners signed a production sharing agreement with the state of Cambodia for an offshore block.

New pub chain buys 185 houses from Bass

By Chris Tighe

THE MANAGEMENT team which has been trying to buy Camerons' Lion brewery in Hartlepool from Brent Walker, yesterday announced it has bought 185 public houses from Bass, to form the nucleus of a new pub chain.

Mr Alistair Arkley, former managing director of Brent Walker brewing and trading, and two senior colleagues have raised more than £60m to create Century Inns.

Schroder Ventures and First Britannia Mezzanine have each provided about £10m in venture capital, with NatWest Acquisition Finance putting in £40m in loans. Mr Arkley and his colleagues, Mr Barry Whitehead, former finance director of Brent Walker's inns and retail and brewing and trading divisions, and Mr Brian Lowe, its former trade director, have between them invested a substantial six figure sum. All three resigned last week from Brent Walker.

Their deal with Bass, for a sum in excess of £30m, was completed on Monday. Most of the pubs are in the north-east of England.

Unveiling the deal, one of the region's largest management buy-ins, Mr Arkley said Century Inns aimed to create an estate of 500 licenced houses in north-east England, managed on traditional three year tenancy agreements.

He said they remained committed to buying the Lion brewery and 106 Brent Walker pubs, but the new company would be viable even without that. Brent Walker was not satisfied with the "fair price" they had offered, he said, but had promised them the chance to match any better bid.

Mr John Brackenbury, chairman of Brent Walker's brewing division and who allowed Mr Arkley several weeks' paid leave to set up the new company, wished his ex-colleagues well but said they now faced three rival bids for the brewery and pubs. Two were conditional offers which had, coincidentally, arrived yesterday, he said. Of the three, two were from established pub chains. A final decision is expected by Christmas.

Return to black at Sketchley

By Peggy Hollinger

Sketchley, the dry cleaning and textile rental group, yesterday held out the promise of year-end dividend payments as it announced a return to the black with pre-tax profits of £3.2m for the six months to September 27.

The result compared with a loss of £5.5m last year, after exceptionals of £3.8m.

Turnover fell 38 per cent to £54.8m, although the decline was solely due to the sale of non-core businesses.

Earnings per share were 4.1p against losses of 8.5p last time.

Mr John Richardson, joint deputy chairman, said the board would aim to make a meaningful distribution at the year-end, barring unforeseen circumstances.

The dividend has not been paid since the 1989-90 interim period, after which the group began to incur losses.

Mr Richardson said the profits had been achieved despite a "sterile economic environment. There was no upturn in sales."

Banks lend Maxwell companies £5m so trade can continue

By Robert Peston

BANKS WITH loans to the Maxwell family's group of private companies yesterday agreed to lend the companies about £5m to enable the the companies to continue to trade.

"The speed with which we made the funds available shows our commitment to finding an orderly solution to this problem", commented a banker.

The funds will be provided by five banks which are members of a steering committee appointed on Monday to represent the interests of 30 banks with £850m in loans to the Maxwell private companies.

The committee members are National Westminster Bank, which is in the chair, two other UK clearing banks, Midland and Lloyds, together with Paribas, the big French bank and Sumitomo Trust and Banking, the Japanese trust bank.

The long-term requirements of the Maxwell private companies for new finance are being assessed by NM Rothschild, the merchant bank appointed on Monday to advise the private companies. "I suspect the businesses are consumers of cash", commented Mr Richard Davey, a Rothschild director.

The next hurdle for the banks to cross, in their attempts to keep the Maxwell private companies out of receivership, is to put in place a formal standstill, freezing repayments on loans to the companies. On Monday the banks made an informal pact not to press for repayment of loans, with the aim of putting in place a legally binding agreement by December 20.

Such a standstill would probably run until the end of February. However, Rothschild, said yesterday that it would probably have to be extended.

Meanwhile, new details emerged of how Citicorp, the big US bank, acquired its exposure to the Maxwell companies. It is believed that Citicorp became an unsecured creditor of a Maxwell company as a result of a foreign exchange transaction.

But to reassure the US bank, the Maxwells provided it with collateral in the form of 25m shares in Maxwell Communication Corporation, the main publicly-quoted vehicle of the Maxwell family.

Other banks with loans secured on MCC shares have been concerned that Citicorp would sell some of these shares, depressing the MCC share price and the value of their security. But a banker said yesterday that Citicorp had indicated that it would not "rock the boat".

MCC's share price yesterday rose from 44p to 55p.

● In an article in yesterday's Financial Times, it was stated that Sumitomo is a member of the banks' steering committee. The Sumitomo in question is Sumitomo Trust and Banking, not Sumitomo Bank.

Pathologists who performed the autopsy on Mr Robert Maxwell said yesterday that laboratory tests so far confirmed their preliminary finding that the publisher died of natural causes, AP reports from Madrid.

"There are no data at this point that would change our original impression," Dr Carlos Lopez de Lamela said. "Our first impression led us in a direction of a death by fundamentally natural causes."

Dr Lopez and colleagues have ordered several new tests on tissue samples from Mr Maxwell's body. These included some on the lungs to determine the presence of prescription drugs and should be completed by the end of the week.

He said the pathologists believe Mr Maxwell suffered some kind of attack while on the deck of the Lady Ghislaine, but they were unsure whether he was alive when he hit the water.

But he said theories that Mr Maxwell fell or was pushed overboard, and then suffered an attack while struggling in the water "do not appear to be the most logical."

TVS incurs £10.7m deficit

By Raymond Snoddy

TVS Entertainment yesterday blamed the recession and the effects of the Gulf war on advertising for pre-tax losses of £10.7m in the six months to end-June.

The loss compared with a profit of £7.8m in the same period of last year.

But Mr Rudolph Agnew, chairman of TVS, one of four ITV companies to lose their licences in last month's competitive tenders for new franchises, said the outlook was more encouraging.

"For the full year we are cautiously optimistic about a recovery in television advertising," said Mr Agnew who promised that in its last year of broadcasting TVS would cut costs "to the lowest level consistent with maintaining commitments and maximising revenue."

The profits fall came from a 12.4 per cent drop in advertising revenue to £11.5m, a £2.5m increase in network costs, £1.4m more for Independent Television News and a £3.1m decline in the trading result of MTM, its US production subsidiary.

Interest turnround hits Metro Radio

A sharp turnround to interest charges hit pre-tax profits at Metro Radio Group, the Newcastle upon Tyne-based broadcaster, in the 12 months to September 30.

Net charges of £239,000 against investment income of £496,000 last time reflected the acquisition last year of local rival Yorkshire Radio Network and left the pre-tax line 23 per cent lower at £1.69m (£2.19m).

Turnover improved from £8.37m to £12.8m, although advertising revenue was unchanged at £11.1m. Fully diluted earnings per share were halved to 7.2p (14.3p) but the final dividend is held at 3.5p for a same-again 5p total.

Lasmo accuses Ultramar of 'misguided strategy'

By Michiyo Nakamoto

LASMO, the independent oil exploration group, intensified its attack on Ultramar, the diversified oil and gas company for which it is making a hostile £1.1bn bid, with another circular to its target's shareholders criticising Ultramar's "misguided strategy."

The latest offensive from Lasmo comes as acceptances for its offer reached just 0.73 per cent in the sixth week since the bid was launched. The document attempts to counter beforehand Ultramar's profits forecast to be announced on Friday, the group said.

"We don't think Ultramar's profits forecast is going to be of any great importance," said Mr Norman Davidson Kelly, Lasmo's corporate development director. The company has not been generating adequate returns from assets and Lasmo was offering to unlock the value of those assets, he said.

Despite its stated commitment to keep its businesses intact, Ultramar is likely to have to sell one or two of its core businesses in order to reduce gearing of 86 per cent at the end of September.

Lasmo further criticised Ultramar's efforts to win back favour among disaffected institutional investors with the resignation of three directors, including Mr John Darby, the chairman, and the decision announced on Monday to reduce its compensation agreement with directors, which had been widely criticised in the City as over-generous.

Lasmo also attacked Ultramar's financial performance, stating that third quarter results were dismal with net profits and earnings per share down 65 per cent. In the first half of 1991 Ultramar's earnings per share saw the largest fall among all companies in the FT-A oil and gas index.

Ultramar responded with a counter-offensive pointing out that Lasmo's share price has fallen from 315p when the bid was announced to a low of 293p yesterday. This leaves Ultramar's shares, which closed down 2p at 330p still higher than Lasmo's 1-for-1 offer.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied-Lyons ....int	6.65☆	Feb 28	6.27	-	18.81
Amber Industrial ......int	4.5	Jan 21	4.5	-	16.5
Argyll Gp ....int	3.2†☆	Feb 24	2.85	-	8.7
Concentric ....fin	7.63	Jan 16	7.63	11.17	11
Drayton Cons Tst ......fin	9.75	Dec 23	12.75	14	17
Erskine House ....int	2.3	Jan 20	2.3	-	6.65
Fairline Boats ....fin	13.85	Jan 24	13.85	21	21
Gartmore Value ....int	0.925	Dec 31	0.9	-	4.2
Gibbon Lyons ....int	2	Feb 13	2	-	6
Monks Inv Tst ....int	2	Feb 3	2	-	6.7
National Power ....int	3	Mar 31	-	-	5.5
Norweb ....int	5.3	Mar 24	-	-	10.94
NSM ....int	nil	-	0.5	-	0.5
Seton Healthcare ......int	1.5†	Jan 31	0.4	-	3.7
Southnews § ....int	0.5	Jan 15	0.8	-	0.8
TVS Entertain't ....int	nil	-	3	-	3
Young (H) ....fin	4	Jan 15	4	6	6

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option.

Mowlem expands in east Germany via £5m buy

By Andrew Taylor, Construction Correspondent

JOHN MOWLEM, the UK construction and building services group, yesterday joined the small number of British companies which have purchased businesses in the former East German republic.

Mowlem is paying DM15m (£5.2m) to acquire Bau-Tec, a construction and concrete products company based near Berlin.

The agreement was signed yesterday by Sir Philip Beck, chairman, and Mrs Birgit Breuel, president of the Treuhand, the privatisation agency established to dispose of former state businesses.

Mrs Breuel was visiting London as part of a campaign to encourage greater international investment in eastern Germany.

British investors have lagged behind other Europeans in purchasing East German assets. By the end of last month a total of 21 French investors had bought 42 business from the Treuhand and 31 Swiss buyers had bought 33 companies. Thirteen British investors had bought 23 companies.

UK construction and building material groups have been particular anxious to break into the eastern German market. Redland, through Braas, its 51 per cent owned subsidiary, has acquired all but one of the former republic's concrete tile plants. RMC, the world's largest concrete producer, has acquired cement and concrete interests in eastern Germany.

Amec, the UK construction and engineering group, this month announced its was acquiring a 50 per cent stake in Kittelberger, a German building and civil engineering group with offices in both western and eastern Germany.

Tarmac, the UK's biggest construction and building materials group, last week announced that it had become the first British contractor to win a road contract in eastern Germany since unification. The DM16m contract involves the design and construction of dual carriageway to the north east of Leipzig towards the town of Torgau.

Sir Philip said yesterday that the company had been looking for some time for a suitable German partner to capitalise on redevelopment opportunities in the former East German republic, potentially one of the most exciting construction markets in Europe.

He said that Bau-Tec, which employs 450 people, had adapted well to the change to a market economy and it was carrying out profitable work.

Mowlem, which opened an office in Berlin last summer, is currently carrying out studies jointly with Conran Roche, a planning consultancy, for the local authority regions of Schwedt/Angermünde and Eberswalde.

Japanese move into flour milling

By Andrew Baxter

THE JAPANESE have moved into one of Europe's more specialised areas of manufacturing expertise with the £4m purchase by privately-owned Satake of Thomas Robinson Group's flour milling machinery interests.

The deal is believed to be the first UK acquisition by a Japanese food equipment maker.

Satake is buying the flour milling business of Robinson Milling Systems along with Robinson Milling Systems of Australia.

TRG received £3.9m cash for the businesses, with the remainder retained until completion. However, it will have to pay £920,000 of redundancy and other costs associated with the deal.

Mr Robert Satake, Satake president, said his company would be better able to support the businesses' expansion into Europe, where flour milling engineering is dominated by the Swiss company Buhler.

Concentric down 54% as UK recession bites

By Jane Fuller

A POOR year for diesel engine pumps and aluminium ingots aggravated the effects of the UK recession on Concentric, the Birmingham-based components maker, which saw pre-tax profits fall by 54 per cent in the year to September 30.

The decline from the previous year's record level of £9.2m to £4.22m followed a 4 per cent rise in turnover to £112.9m (£108.6m). Just over half the business was motor related.

Mr Tony Firth, chairman, said there had been problems at Concentric Pumps, which produces parts for diesel engines. It had incurred a loss of £2.5m, compared with a profit of £2.5m, and management changes had been made.

Turmoil in the aluminium industry had affected the ingot business. "We keep thinking aluminium will get better, but then it gets worse and it has weakened again since the year-end," he said.

The group had expected a better second half when it announced its interim results in May. However, demand from the petrochemical industry had been slow to pick up after the Gulf war and continued recession in the housing market had dampened sales to the white goods sector.

Overseas sales rose by 7 per cent and accounted for 26 per cent of the total.

Mr Firth said a number of subsidiaries had been reorganised, new appointments had been made and jobs shed to improve international competitiveness. About £1.2m costs had been incurred above the line.

Net debt stood at about £2.5m, gearing of 8 per cent, at the end of the year. Capital spending was cut to £4m (£5.5m).

Earnings per share fell to 13.21p (28.4p). The final dividend is held at 7.63p, making a total of 11.17p (11p).

The share price fell 9p to 270p. On the company broker's pre-tax profit forecast of £7.5m for this year, the prospective multiple is 11.8.

NEWS DIGEST

Cost saving cuts loss at Christie

CHRISTIE Group maintained much of its turnover while progressively reducing costs in the half year to September 30, and cut its pre-tax loss from £1.5m to £481,000.

Market conditions for this specialist business agency remained difficult, a trend exacerbated by the withdrawal of many lenders from the commercial mortgage market.

In addition, lenders who remained in the market have changed their lending criteria to make it more difficult for business purchasers to finance acquisitions.

During the period the US subsidiary continued to incur losses and was sold for a nominal consideration, thereby strengthening the balance sheet.

Losses per share were 1.81p (4.64p).

Hoskins Brewery dips to £48,000

Hoskins Brewery, the small Leicester-based concern, saw pre-tax profits fall to £48,000 over the six months to September 30.

The decline from last time's £57,000 came on lower turnover of £950,000 (£1.13m) reflecting the disposal of two coffee shops. Operating cost savings reduced interest charges to £69,000 (£85,000).

USM-quoted Hoskins has lowered the price of its Beaumanor bitter to 99p per pint helping to increase production and sales by 20 per cent.

Fully diluted earnings per share worked through at 0.78p (1.04p). Costs of aborted public house acquisitions amounted to £24,000 and were taken below the line.

Amber Industrial declines to £1.2m

Amber Industrial Holdings held its operating profit in the opening six months but reduced interest income meant pre-tax profit fell 8 per cent, from £1.31m to £1.2m.

Turnover in the period to September 30 was reduced to £7.55m (£7.31m).

The reduction in interest income followed lower rates and deployment of some cash into Bridgwater.

Earnings per share came to 16.8p (19.5p) and the interim dividend is again 4.5p.

Corporate Services £2.3m cash call

Corporate Services Group has launched a 2-for-7 rights issue to raise £2.3m. The supplier of recruitment and other services will use the money to reduce debt and increase working capital while it completes a rationalisation programme. The offer, underwritten by Durlacher West, is at 42p. The shares closed at 41p. They were consolidated yesterday on a 20-for-1 basis having closed at 2p on Monday.

Southnews starts on road to recovery

Southnews, the USM-quoted local newspaper publisher, made a pre-tax profit of £494,000 in the half year to September 28, confirming directors' belief that the company had started to recover.

Last time the company achieved £415,000 but that turned into a loss of £987,000 by the end of the year, including £916,000 exceptional reorganisation costs.

Sales fell to £7.15m (£9.04m) but operating margin rose to 9.1 per cent (6.2 per cent).

The improved profits were achieved despite the continued advertising downturn. Of the fall in revenues nearly 70 per cent was attributable to the decline in jobs advertising.

An interim dividend of 0.5p is declared. Last time there was an interim and only payment of 0.8p.

Significant growth at Walker & Staff

Walker & Staff Holdings, a distributor of valve and pipeline equipment, is forecasting a 50 per cent increase in profits for the year to March 31 1992. Previously it made £389,000.

This will follow a first half, now reported on, when pre-tax profit almost doubled to £347,000 (£180,000) on turnover up 4 per cent to £4.25m (£4.08m).

Earnings per share came to 10.9p (5.3p).

Tottenham delays announcing results

Tottenham Hotspur, which owns the north London football club, has delayed the announcement of its results for the year to May 31 until December 6 because of plans to unveil a rights issue at the same time.

The delay pushes the publication of the annual report and accounts into injury time according to Stock Exchange rules, which stipulate that they should be issued within six months of the period end.

Tottenham's shares have been suspended since October 1990 and the group intends to push for a relisting shortly after next week's announcement. It said the delay did not denote any problems. There was simply a lot of paperwork to do before it could make a combined announcement.

Millwall tumbles £2.67m into the red

Millwall Holdings, which owns the second division football club, incurred pre-tax losses of £2.67m for the year to May 31 1991, against £848,000 in the previous 10 months. The results included losses from the Tavern Leisure pubs chain, which was sold after the year end.

Deficit on transfer fees was £8,000 (£461,000) but since the end of May the group has generated a surplus of £860,000.

Turnover came to £8.77m (£4.01m) while operating losses reached £2.17m (£333,000). These included exceptional charges of £100,000 (£115,000) for compensation payments to the former football management team and £160,000 mainly for losses on assets sales from discontinued activities. Losses per share were 2.36p (1.27p).

Ifico requests share suspension

Ifico, the insurance broking group, yesterday requested a halt to dealings in the company's shares.

The company said that it had asked for a temporary suspension to the listing from 6pm yesterday, pending shareholders approval of reorganisation proposals.

The shares were suspended at 8½p.

Gibbon Lyons falls to £483,000

Gibbon Lyons Group, maker of printing ink, dyestuffs and paint, announced pre-tax profits down from £729,000 to £483,000 in the six months ended September 30 1991, on turnover marginally lower at £11.5m against £11.9m. For the whole of 1990-91 profit was £1.08m on turnover of £23.1m.

The directors said there was little sign of any recovery in the industry so efforts were being concentrated on cutting costs and gaining a greater share of a reduced market.

Shareholders get an unchanged 2p interim. Earnings per share fully diluted were 3.1p compared with 5.7p.

H Young mounts partial recovery

The policy of concentrating on "add on" business proved successful at H Young Holdings and contributed to a partial recovery in the year to September 30.

Pre-tax profit doubled to £1.01m, compared with £1.77m and £2.98m in the two preceding years.

Mr John Wilson, chairman of this optical, automotive, horticultural and electronics industries group, said the "add ons" were numerous.

Sales for the year moved up to £31.4m. Interest payments were cut to £152,000 (£331,000).

Earnings per share were 4.4p (2.1p) and the final dividend is 4p for an unchanged 6p total.

Southdown and Leeds building societies merge

By David Barchard

The small Southdown Building Society, with assets of £780m, has become the latest society to announced that it is merging with a larger operation after incurring a loss this year.

However, Mr Peter Spence, managing director, said yesterday that a planned merger with Leeds Permanent, the fifth largest building society with assets of £17bn, had not been forced upon the society by the Building Societies Commission, the industry regulator.

The two societies had been in merger discussions since early summer. Leeds, one of the fastest-growing societies in the industry top 10, announced early this year that it was looking for smaller societies to absorb.

Leeds has not merged with another society for nearly half a century. Southdown will bring Leeds, a predominantly northern society, a network of 38 branches in the south of England.

"I do not think that this one will be the last merger in my time," said Mr Mike Blackburn, chief executive of Leeds.

Southdown was formed in 1990 out of a merger between Sussex County and Eastbourne Mutual. It made a profit of £3.8m after provisions of £3.9m on its £600m mortgage book.

This year it has been hit not only by a high level of arrears and repossessions but also by a cost base very much higher than the industry average. Its losses are expected to be about £4m.

FT LAW REPORTS

Export finance transaction is a contract for sale

WELSH DEVELOPMENT AGENCY v EXPORT FINANCE CO LTD
Court of Appeal
(Lord Justice Dillon, Lord Justice Ralph Gibson and Lord Justice Staughton):
November 19 1991

A FINANCE agreement by which an agent sells goods to his undisclosed principal at discount under a standing offer subject to warranty of merchantability, and then on-sells them for the principal to overseas buyers at full purchase price, does not create a charge on goods for money lent in the absence of contrary indication in the contract as a whole, but is in substance an agreement for sale entitling the principal to the buyers' payments as against the agent's secured creditors. And the agreement is not invalid for uncertainty as to whether on-sold goods are the subject of agency in that at time of sale the parties do not know if it is negated for latent unmerchantability, because if a latent defect does exist, its existance is certain irrespective of knowledge, and may be ascertained without further agreement by subsequent enquiry.

The Court of Appeal so held when allowing an appeal by the defendant, Export Finance Co Ltd (Exfinco), from a decision of Sir Nicolas Browne-Wilkinson, Vice-Chancellor (*FT, April 10 1990*) that the plaintiff, the Welsh Development Agency (WDA), was entitled under a debenture to sums payable by overseas buyers for goods sold by Parrot Corporation Ltd. An appeal by Exfinco from the Vice-Chancellor's dismissal of its counterclaim against the WDA and Parrot's receivers for unlawful interference with contract was dismissed by majority.

LORD JUSTICE DILLON said Exfinco was formed to provide finance for exporters. It financed Parrot under a master agreement dated July 29 1985.

The WDA guaranteed Parrot's obligations to financiers.

Parrot gave the WDA a counter-indemnity, secured by debenture, against liability under the guarantee. The debenture was registered under the Companies Act.

WDA paid financiers under the guarantee. On May 16 1989 it appointed receivers of the property charged by the debenture. Exfinco terminated the master agreement. Parrot ceased trading.

The dispute was as to whether the WDA's receivers or Exfinco were entitled to sums payable by overseas buyers of goods exported by Parrot which remained unpaid as at May 16.

If the effect of the master agreement was to create a registrable charge in favour of Exfinco on Parrot's assets, there was never any registration of that charge and it would be void as against the liquidator or creditors.

The issues were whether there was a fundamental legal flaw in the master agreement rendering it invalid; and whether the master agreement created charges which were void for non-registration.

By clause 1 of the master agreement Exfinco authorised Parrot on its behalf "to sell to any buyer goods immediately thereafter agreed to be sold" by Parrot to Exfinco.

By clause 2 Exfinco offered to buy from Parrot goods to be sold by Parrot "as agent for Exfinco to buyers by way of export". The offer extended only to goods which complied with warranties in clause 5(d), including a warranty that they should be of merchantable quality and fit for their intended purpose.

Under the agreement Parrot undertook to instruct overseas buyers to pay into collection accounts opened by Exfinco in Parrot's name. It was prohibited from disclosing that it acted as Exfinco's agent, and from disclosing the existence of the master agreement.

An agent's authority to bind an undisclosed principal must have existed when the agent made the contract ostensibly as principal.

The Vice-Chancellor found a fundamental legal flaw in the master agreement, in that if at moment of sale there was a latent defect of which no-one knew it could not be said with certainty whether goods were the subject of agency, because there might be a breach of the warranty of fitness and merchantable quality.

The fact that there was or was not a latent defect in a shipment of goods could be discovered later and did not depend on further agreement.

It did not matter to the validity of the master agreement that the fact was not actually known to the parties when the contract was made – *id certum est quod certum reddi potest* [that is certain which can be made certain]. The answer could be ascertained by enquiry, and when it had been ascertained uncertainty was removed.

The master agreement did not contain any fundamental legal flaw.

The second issue was whether the transactions under the master agreement were by way of sale or secured loan.

Mr Moss for the WDA asserted that the master agreement was not an agreement for sale as it purported to be, but was a charge, in that it satisfied the criteria for a charge.

It was necessary to look at the master agreement as a whole to decide whether, in substance, it amounted to an agreement for sale, or to a mortgage or charge on goods and their proceeds.

The Vice-Chancellor concluded that provisions relating to right of redemption and discount were inconsistent with the master agreement being an agreement for sale.

Operating procedures incorporated into the master agreement provided that on Parrot's acceptance of Exfinco's offer Exfinco would pay Parrot the "exporter's price", which was 90 per cent of the price payable by the buyer less a discount calculated on the basis that Exfinco would be out of its money for the Average Credit Period (ACP) – the average period over which overseas buyers took to pay their debts. On expiry of the ACP, Exfinco's client account would be credited with 100 per cent of the price payable by the overseas buyer.

If the transaction was a sale of goods unconditionally appropriated by Parrot to a contract to be made immediately afterwards by Parrot for sale to an overseas buyer, the price paid by Exfinco to Parrot for the goods would necessarily be related to the price payable by the overseas buyer, with appropriate discounts.

There was nothing in that to make it more likely that the substance of the transaction was a charge on goods rather than a sale. The discount, calculated on the ACP, was not fixed once and for all but was adjusted in the light of actual credit periods. That did not convert discount into interest on a loan, and did not negate the transaction being one of sale and purchase.

The right of redemption arose under clause 11 of the master agreement under which Exfinco was given a right of summary termination.

On termination, by clause 9 of the operating procedures, all amounts owed by overseas buyers became immediately due for payment by Parrot to Exfinco, and any payment received from buyers into the collection accounts after Exfinco had been fully repaid would be refunded to Parrot.

Clause 9 was plainly drawn on the basis that moneys were owed to Exfinco by the buyers, because Exfinco was Parrot's undisclosed principal.

If Parrot paid the balance outstanding it would get back the right as against the buyers, to all unpaid moneys. To that extent clause 11 could be said to give Parrot a right of redemption. It was not inconsistent with the transaction being one of sale.

The master agreement was valid as what it purported to be, namely an agreement for sale by Parrot to Exfinco under a standing offer, of goods about to be sold by Parrot to overseas buyers.

The appeal was allowed. Their Lordships gave concurring judgments.

COUNTERCLAIM

Exfinco counterclaimed against the receivers for damages for wrongful interference with contract, for calling on buyers to pay them instead of into controlled accounts into which moneys were payable under the buyers' contracts with Parrot.

The counterclaim was dismissed on the ground that the receivers were acting as Parrot's agents, and could not be liable for wrongful interference with a contract made by Parrot.

Exfinco's appeal on the counterclaim was dismissed by majority.

LORD JUSTICE STAUGHTON dissenting said no authority was cited to show that an agent had immunity from liability when he procured someone other than his principal to break his contract, and there was no reason why an agent should enjoy such immunity. The receivers were said to have procured breach by the overseas buyers, not Parrot.

For WDA: Gabriel Moss QC and Martin Pascoe (Morgan Bruce, Cardiff).
For Exfinco: Michael Crystal QC and Richard Adkins (Linklaters & Paines).

Rachel Davies
Barrister

UK COMPANY NEWS

Cost of complying with MMC orders estimated at £100m

Allied-Lyons edges ahead to £289m

By Philip Rawstorne

ALLIED-LYONS, the drinks, food and retailing group, withstood the worst effects of recession and the Gulf war to improve first half pre-tax profits from £286m to £289m.

Trading profit during the 28 weeks to September 14 rose to £388m (£373m) on turnover some 5 per cent higher at £2.65bn (£2.53bn).

Mr Michael Jackaman, chairman, said that the group was confident of its competitive position and its ability to take advantage of any economic improvement. But he added: "Trading conditions in the first half were very difficult . . . and it is not clear to us that the next six months will be that much easier."

The cost of complying with the Monopolies and Mergers Commission orders would be included as an extraordinary item in the full year's accounts, Mr Jackaman said. This was estimated at £100m but could be reduced by profits from pub disposals and tax relief.

All divisions performed robustly in tough trading conditions.

Brewing and retailing operations pushed trading profits ahead 5.7 per cent ahead to £148m (£140m). Tetley bitter consolidated its position as the UK's biggest-selling ale brand, and beer volumes and market share increased overall, particularly in the free trade and take-home trade.

The Hiram Walker wines and spirits operations lifted profits 6 per cent to £173m (£163m). Ballantine's Scotch whisky and Beefeater gin made good progress, notably in Spain. Canadian Club whisky and Kahlua liqueur continued to gain sales in Japan.

Trading profit from continuing businesses in the J Lyons food division rose nearly 15 per cent to £62m (£54m) helped by overseas expansion of the Baskin-Robbins ice-cream and Dunkin' Donuts operations. Growth in tea and coffee was reinforced by new product development and plant rationalisation. In the European bakery sector, there was strong growth in Benelux, Germany and Iberia.

Group profit growth was helped by a small translation benefit from exchange rates and reduced finance charges, but there was an additional interest charge of £9m on the cash cost of closing out last year's currency trading loss of £147m.

Basic earnings per share showed a decrease from 22p to 21.5p but, excluding property disposal profits, earnings rose from 19.2p to 19.4p per share.

The interim dividend goes up to 6.65p (6.27p).

Allied's debt stands at £2.23bn – 80 per cent of equity – but is expected to fall considerably by the year end, and to be reduced further on completion of the Carlsberg and Showerings deals.

See Lex

Seton jumps to £1.5m and raises £2.7m

By Andrew Bolger

SETON HEALTHCARE, one of the UK's best-performing shares this year, yesterday reported continuing growth in profits and raised £2.7m by placing shares with institutional investors.

The group, which came to the market last year, said proceeds would be used to finance the acquisition and development of the Steripod range of plastic vials, which allow pharmaceutical solutions to be delivered easily by community nurses.

A total of 1.06m shares, representing 5 per cent of the equity, were placed at 260p. The shares, which have nearly doubled in value during the year, closed 4p higher at 277p.

Pre-tax profits, boosted by acquisition, more than doubled from £658,000 to £1.49m in the six months to August 31 on turnover ahead by 27 per cent to £17.5m.

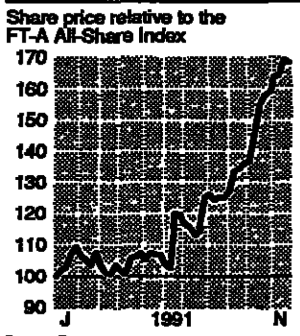
Mr Norman Stoller, chairman, said the healthcare division, which accounted for more than 80 per cent of group sales, had performed well, particularly in the UK and Europe, and benefits of recently acquired businesses had begun to show through.

Healthcare sales showed organic growth rates of 15 per cent on the community care side and 5 per cent on the hospitals side, giving an average of 11 per cent for the division.

The sports and leisure division had a less successful first half, mainly because last year benefited from sales associated with the World Cup.

Seton Healthcare

Share price relative to the FT-A All-Share Index



Source: Datastream

Earnings per share were 47 per cent higher at 4.7p (3.2p). The company intends to pay a higher proportion of dividend at the interim stage and is raising the payment from 0.4p to 1.5p.

● COMMENT

Seton was floated in July last year, but it was only when the company reported its first full-year results this June that the shares took off. Analysts like its strategy of buying well-known brands and shifting the balance of the business from supplying hospitals to community care, where there is scope for higher margins. Forecast earnings of about £5m put the shares on a prospective multiple of 18. The quality of management and good growth prospects do justify such a premium rating in the medium-term, but a lot of good news is already in the price.

Erskine House rises as interest charge falls

By Peggy Hollinger

SHARES IN Erskine House jumped 16 per cent to 81p as the office equipment services group announced a small rise in interim profits and maintained its dividend at 2.3p.

A £1m drop in interest charges to £2.1m buoyed pre-tax profits, which rose from £6.53m to £6.66m for the six months to September 30. Turnover, however, fell 12 per cent to £89.1m.

Mr Brian McGillivray, chairman, stressed the uncertainty for the second half. "There is as yet no evidence of any significant or lasting improvement in sales in our main markets in the UK or US."

Sales in the UK – which represent 50 per of total turnover – were 26 per cent below the previous year. More than 60 per cent of the UK sales decline was due to the £4.7m sale of Erskine Office Systems, the laser printer and computer maintenance division. Turnover in the US was virtually flat, although profits benefited slightly from exchange rates.

Greater emphasis on the service side of Erskine's business resulted in a slight improvement in group operating margins, Mr McGillivray said. Service now accounted for some 50 per cent of total sales.

Erskine House, which built up a hefty debt through rapid expansion in the late 1980s, said it had cut borrowings from £41.3m at the year-end to £36.8m.

The chairman added that interest cover had risen from 3.1 to 4.2 times. Erskine came dangerously near breaching a bank covenant last year, and has agreed to maintain cover of at least two times.

"Our debt position is tolerable," said Mr McGillivray.

The east German operations, most of which were set up in the second half, had shown "encouraging growth".

Earnings per share fell from 6.7p to 6.3p.

● COMMENT

Investors were pretty cynical about Erskine before yesterday's results and they are unlikely to change their tune too rapidly. The group has to prove that not only can it recover, but it must reduce that onerous debt and then begin to grow again. To give Erskine credit, much of the debt has been reorganised, leaving little at the beck and call of banks, and the shares are yielding 10 per cent on yesterday's price. Yet there is still a long way to go before the price comes near its 202p level of last year. Forecasts of £12.7m offer a prospective p/e of 7. This might look good on the surface, but the risks involved in such a vulnerable sector might be greater than with other recovery stocks.

Everest Foods plans to raise £3.95m

By Jean Marshall

Everest Foods, a USM-quoted food producer and wholesaler, is proposing to raise about £3.95m net through an open offer of 2.5m new ordinary shares at 168p each on a 1-for-4 basis.

The offer is underwritten by Smith Keen Cutler.

Proceeds will enable further capital expenditure projects amounting to £2.85m to be implemented, directors said. The balance will reduce short-term borrowings and add to working capital.

Mr CJ Fox-Davies, Mr JDM Fox-Davies, their family trusts and Mr RM Walker will not subscribe for the offer in order to allow share ownership in the company to be broadened. Their entitlements amount to 17.6 per cent of the increased share capital and will be conditionally placed with institutional investors.

Directors intend to apply for the company's shares to be listed, and dealings are expected to begin on December 23.

Cost cutting benefits Kewill

By Alan Cane

KEWILL SYSTEMS, a computing services company specialising in manufacturing software, is seeing the benefits of its cost cutting programme in sustained profitability against a background of unrelieved recession.

Pre-tax profits in the half year to September 30 rose to £1.69m, an 11 per cent increase on the previous £1.5m, despite falls in operating profitability in both the US and Europe.

Staff numbers are now at an optimal level in the UK and the US, although further jobs may go in continental Europe to improve profitability.

Group sales rose 35 per cent to £21.5m with the contribution from Weigang WCS of Germany, a manufacturing software company acquired in May.

Earnings per share were 13.56p (12.02p). UK sales fell 13 per cent to £6.3m as the recession continued to hit customers, but operating profits were up 50 per cent as a result of cost savings.

In the US, sales increased 6 per cent but operating profits declined 36 per cent after a poor first quarter. In Europe, sales rose 89 per cent but profits were down 4 per cent, chiefly through problems in Germany.

Mr Kevin Overstall, chairman, said that Weigang had been substantially reorganised with the loss of 40 per cent of staff numbers.

He thought both sales and profitability would hold up in the second half. His optimism was boosted by the first sales of the advanced XIS manufacturing software package.

37% downturn at Fairline Boats

By Richard Gourlay

FAIRLINE BOATS, the leisure power boat builder, yesterday reported a 37 per cent slide in profits as the luxury market was hit by falling sales.

Pre-tax profits for the year to September fell from £4.81m to £3.02m on sales down 10 per cent at £35m.

UK sales fell 23 per cent and exports rose from 51 per cent to 58 per cent.

Mr Sam Newington, chairman, said the second half had been as bad as expected. A low order book coincided with high development costs for new models introduced in the year.

Sales had started to pick up in the current year, mainly in continental Europe, and while profits were unlikely to be very good, the deterioration in sales was now under control.

Earnings per share fell from 88.9p to 55.9p. The final dividend is maintained at 13.85p, giving an unchanged total of 21p.

Mr Newington's family owns more than 56 per cent of the shares. The price fell yesterday by 30p to 488p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

	Provisional Price for Trading on 27.11.91	Final Prices for Trading on [illegible]	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.49	15.90	15.90
0100	16.59	16.04	16.04
0130	16.61	16.86	19.59
0200	16.61	16.93	19.65
0230	16.52	15.92	15.92
0300	16.49	15.92	15.92
0330	16.47	15.90	15.90
0400	16.44	15.87	15.87
0430	16.44	15.86	15.86
0500	16.44	15.86	15.86
0530	16.48	15.85	15.85
0600	16.49	15.85	15.85
0630	16.58	15.90	15.90
0700	16.59	16.31	16.31
0730	17.94	18.15	20.90
0800	19.78	18.22	20.99
0830	20.26	19.41	22.22
0900	21.19	19.43	22.24
0930	27.33	19.45	22.27
1000	27.33	19.46	22.29
1030	21.19	19.45	22.28
1100	21.19	19.45	22.28
1130	21.19	19.46	22.28
1200	27.38	19.46	22.29
1230	27.33	25.44	38.49
1300	27.32	25.43	28.42
1330	22.88	24.26	27.17
1400	22.89	16.33	16.33
1430	20.26	16.31	16.31
1500	20.26	16.30	16.30
1530	20.26	16.32	16.32
1600	20.26	18.65	21.43
1630	44.24	22.48	25.93
1700	65.17	38.44	45.94
1730	74.08	52.19	60.54
1800	59.86	52.55	60.66
1830	33.31	38.62	44.07
1900	28.82	30.47	34.14
1930	21.73	22.88	25.71
2000	19.79	21.51	24.36
2030	17.83	20.61	23.40
2100	17.72	19.11	21.87
2130	18.12	18.58	21.33
2200	18.12	18.21	20.95
2230	16.64	18.21	20.96
2300	16.52	15.92	15.92
2330	16.45	15.88	15.88
2400	16.44	15.87	15.87

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Perkins Foods makes £27m acquisition foray

By Guy de Jonquières, Consumer Industries Editor

PERKINS FOODS is buying Cogel, a Luxembourg-based frozen foods manufacturer and distributor, and Studleigh-Royd, a UK producer of chilled poultry products, for maximum payments of LFr943m (£16.1m) and £10.9m respectively.

To help finance the initial consideration of LFr570m for Cogel, Perkins is issuing 5.6m new ordinary shares, of which 2.4m will be retained by the vendors and the remainder placed on their behalf at 147p each.

Initial consideration for Studleigh-Royd is £7m, to be satisfied by £2.9m in cash and the issue to the vendors of £600,000 of secured loan notes and 9.96m new D-Mark convertible preference shares.

Perkins also plans to raise £5.9m by a cash placing of 4m new ordinary shares, also at 147p apiece. Proceeds will finance the initial cash consideration for Studleigh-Royd and a LFr74m cash payment to a Cogel shareholder not participating in the share placement.

The rest of the funds will provide working capital for Cogel, Studleigh-Royd and Anchor Seafoods, which Perkins agreed to buy earlier this month. The cash placing is not conditional on the completion of the Cogel and Studleigh-Royd acquisitions.

Further profit-related payments for both acquisitions will be met by the issue of ordinary shares, cash and secured loan notes.

Cogel's pre-tax profits were LFr88m in 1990 and its net assets were LFr137m. Studleigh had net assets of £1.1m and vendors have warranted pre-tax profit of £1.5m. in 1990-91.

Stirling and Ritz Design expected to join forces

By Jane Fuller

TWO MARKS and Spencer clothing suppliers, Stirling Group and Ritz Design, are expected to announce plans to join forces this week.

Both had their shares suspended yesterday – Ritz at 185p, or 6p below this year's high, and Stirling at 41p.

Ritz makes blouses and underwear, and has been looked at by a number of potential partners since it was revealed that its chairman and finance director had totted up £650,000 of unauthorised personal spending. Both men resigned in July and promised to repay the amounts.

Mr Michael Bancroft, the former chairman, was responsible for most of the expenses. He held 21 per cent of the equity, worth about £3.5m at the suspension price which gives Ritz a market value of £16.7m.

Ritz increased its pre-tax profit by 22 per cent to £2.5m, on sales of £38.5m, in the year to March 31. Earnings per share were 17.9p. It had net debt of £2.7m and net assets of £7.7m before the influx of £485,000 as the after-tax repayment.

Stirling, which has a market value of £15.5m and held about £1.6m cash in March, overlaps with Ritz in blouses, nightwear and swimwear. Its pre-tax profit fell to £1.06m (£2.74m) last year on sales of £41.3m (£42.8m).

Since Mr Peter Sheldon took over as chairman in April 1990, the group has sought to reduce its dependence on skirts and trousers. It bought Fiona-Rose, a nightwear concern, last December and E Gifford, a casualwear distributor, this summer.

Debt laden NSM sells Bison for £31m

By Michiyo Nakamoto

NSM, the heavily indebted mining and building materials group, is selling Bison, its building materials arm, for a maximum of £30.75m.

The sale of Bison, one of the core companies of the group, reflects the increasingly urgent need of the group to reduce its debt burden, which has risen to £105m against shareholders' funds at the year-end of £53.3m.

NSM announced the disposal together with an interim loss before tax of £1.37m (£7.17m profit) on turnover down to £90.7m (£97.8m).

Interest costs increased to £6.18m (£3.82m) and were not covered by operating profits of £4.81m (£11m).

The interim dividend is passed, following an omitted final. Losses per share were 1.07p (earnings of 2.04p).

The entire proceeds of the sale will go to reducing the group's borrowings to £63m by the year end while shareholders funds would rise to £58m after the sale and after paying the preference dividend. This would bring gearing down from over 200 per cent to slightly over 100 per cent, which was a level that could be more easily managed by trading in the remaining businesses, according to Mr John Jermine, chief executive.

After a series of acquisitions in the late 1980s, NSM has been disposing of non-core businesses in an attempt to reduce borrowings. Disposals so far have netted the group £4.7m cash.

In the year to March 1991, Bison made pre-tax profits of £3.55m before extraordinary items, representing 94 per cent of the entire group's taxable income in that financial period. However, Mr Jermine said that the first priority was to reduce debt, a goal which it believed could be more rapidly achieved by disposing of a main business.

Disposals of non-core assets were not realising the premium prices the group had been counting on. Meanwhile, Bison was not producing sufficient return on capital employed and its short term prospects were not as good as for the group's coal businesses.

"Bison is a lovely business," said Mr Jermine, who joined NSM earlier this year. It has 50 per cent of the UK house flooring market and 30 per cent of the commercial concrete flooring market.

Bison, which was acquired by NSM in 1988 for a total original cost of about £95m, has net assets of £8.49m. It is being sold to WJB, a group backed by several institutions and headed by Mr Derek Hankinson, Bison's former chief executive and a former director of NSM who resigned earlier this year. WJB was formed specifically for the acquisition.

The sale leaves NSM with its coal interests which made pre-tax profits of about £5m in the UK and about £7.5m in the US in the year to March 31.

Further disposals are planned in the building products operations and the waste management business, into which NSM made an unsuccessful foray last year.

NOTICE TO HOLDERS

CFX

U.S. $155,000,000

Credit for Exports PLC

(incorporated in England with limited liability)

Unsecured Floating Rate Notes due 1985 to 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 7(a) of the above mentioned Notes (the "Notes") Credit for Exports PLC will, on 2nd January, 1992, redeem U.S. $17,330,000 in principal amount of the Notes at par and that the following Notes, identified by serial number, have been drawn by Royal Bank of Canada Europe Limited as Principal Paying Agent on behalf of The Law Debenture Trust Corporation p.l.c., the Trustee for the holders of the Notes, for redemption on such date:—

1	2629	3145	4501	5300	5822	6231	6872	7466	8190	9191	9828	10466	10903	11776	12199	12746	13399
4	2630	3155	4538	5311	5834	6232	6884	7477	8193	9192	9829	10467	10905	11777	12213	12750	13400
12	2634	3157	4545	5315	5836	6234	6885	7485	8194	9199	9832	10471	10914	11782	12220	12751	13405
18	2643	3164	4568	5316	5837	6239	6891	7488	8212	9204	9847	10472	10920	11784	12222	12752	13411
22	2644	3166	4576	5317	5846	6247	6894	7505	8224	9210	9857	10473	10924	11787	12226	12753	13416
27	2651	3173	4600	5318	5847	6256	6899	7542	8230	9216	9860	10475	10934	11789	12234	12760	13418
30	2658	3174	4626	5323	5850	6257	6901	7548	8232	9221	9865	10478	10938	11799	12238	12776	13419
37	2661	3175	4627	5324	5860	6266	6903	7558	8241	9241	9866	10479	10961	11800	12241	12780	13425
38	2664	3186	4629	5325	5862	6281	6907	7561	8242	9252	9868	10480	10966	11804	12248	12781	13427
2118	2674	3189	4635	5329	5868	6297	6916	7569	8243	9261	9876	10483	10984	11811	12260	12792	13430
2138	2677	3190	4637	5336	5871	6304	6917	7582	8245	9272	9879	10484	10997	11815	12263	12802	13435
2143	2686	3191	4692	5337	5876	6329	6919	7594	8778	9284	9885	10487	11025	11823	12266	12803	13441
[illegible]																	
2517	3091	3535	5217	5671	6155	6824	7311	8084	9089	9767	10389	10796	11661	12138	12622	13323	13830
2539	3093	3544	5221	5679	6157	6825	7343	8087	9090	9769	10400	10801	11676	12141	12646	13326	13840
2548	3094	3555	5229	5701	6166	6827	7347	8094	9092	9770	10408	10825	11677	12142	12648	13327	13845
2564	3100	3556	5233	5702	6176	6828	7348	8100	9094	9777	10409	10835	11679	12143	12651	13328	13853
2570	3101	3560	5234	5704	6181	6833	7350	8126	9095	9778	10412	10839	11688	12144	12661	13329	
2576	3104	3584	5240	5705	6183	6835	7355	8127	9096	9784	10424	10846	11692	12148	12665	13333	
2583	3106	3586	5246	5710	6186	6841	7356	8154	9126	9788	10425	10850	11700	12154	12668	13334	
2584	3108	3592	5254	5711	6187	6843	7363	8155	9138	9789	10429	10853	11701	12155	12672	13339	
2585	3112	3601	5255	5721	6193	6844	7367	8159	9139	9793	10441	10856	11712	12156	12674	13341	
2598	3115	3606	5266	5730	6196	6847	7378	8161	9140	9794	10445	10859	11732	12162	12683	13353	
2600	3122	3638	5267	5777	6208	6850	7392	8163	9155	9796	10451	10865	11739	12166	12703	13355	
2602	3124	3647	5268	5783	6210	6851	7412	8169	9157	9800	10454	10877	11755	12168	12718	13363	
2604	3129	3649	5275	5784	6211	6853	7441	8172	9158	9802	10456	10880	11756	12169	12723	13364	
2610	3136	3650	5277	5785	6215	6855	7443	8175	9164	9806	10458	10884	11761	12176	12727	13372	
2613	3138	3853	5282	5792	6218	6856	7452	8176	9171	9811	10462	10885	11769	12182	12730	13393	
2618	3141	3988	5291	5801	6219	6860	7457	8186	9186	9820	10463	10892	11771	12185	12731	13395	
2623	3143	4009	5292	5803	6230	6870	7458	8188	9190	9827	10464	10898	11775	12190	12736	13398	

Notes not listed above are not affected by this redemption.

The Notes specified above should be presented and surrendered on 2nd January, 1992 for redemption together with all unmatured coupons at the specified office of any of the Paying Agents listed below. On such presentation and surrender payment of the full principal amount of such Notes will be made by U.S. Dollar cheque drawn on a New York City bank or by transfer to a U.S. Dollar Account maintained by the payee with a New York City bank.

Coupons due for payment on 2nd January, 1992 should be detached before presentation and surrender of the Notes specified above and presented for payment in the usual manner.

PAYING AGENTS

Royal Bank of Canada Europe Limited,
71 Queen Victoria Street,
London EC4V 4DE, England

ROYAL SAINT GEORGE Bank S.A.,
3 Rue Scribe,
75440 Paris,
France

Royal Bank of Canada (Suisse),
Rue Diday 6,
1204 Geneva,
Switzerland

NMB Bank (Belgium) S.A./N.V.,
Rue de Ligne 1,
B-1000 Bruxelles,
Belgium

Kredietbank S.A. Luxembourgeoise,
43 Boulevard Royal,
2955 Luxembourg

Paying Agent as to Principal only:
First Interstate Trust Company of New York,
One Exchange Plaza,
55 Broadway,
New York, NY 10006,
U.S.A.

Interest shall cease to accrue on the Notes specified above with effect from and including 2nd January, 1992 and all coupons (whether or not attached to such Notes) relating to any interest payment date falling due after 2nd January, 1992, shall thereupon become void.

DATED: LONDON, 27th November, 1991
Credit for Exports PLC and
The Law Debenture Trust Corporation p.l.c., Trustee
By:

ROYAL BANK OF CANADA
EUROPE LIMITED

PRINCIPAL PAYING AGENT

A member of the Securities and Futures Authority

Payments of principal made upon surrender of the Notes specified above at the office of the Paying Agent in the United States of America and payments of principal or interest made upon surrender of Notes or Coupons outside the United States of America but by transfer to an account maintained by the payee with an office of the payor within the United States of America may be subject to certain information reporting requirements and to a United States of America back up withholding tax unless holders certify that they are not U.S. persons (as defined in the United States Internal Revenue Code) and, in the case of payments of principal, as to certain other factual matters.

THE PORTUGAL FUND LIMITED

International Depositary Receipts
issued by
Morgan Guaranty Trust Company of New York

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Portugal Fund Limited will be held in the board room at Waterloo House, Don Street, St. Helier, Jersey JE4 8RS on 9 December 1991, at 12 noon for the following purposes:

1. to receive and adopt the accounts and the report of the Directors and of the Auditors for the year ended 31 August 1991; and
2. to re-elect Dr. J. de Pinho d'Almeida as a Director; and
3. to re-elect Mr. B. Macdonald as a Director; and
4. to re-appoint the Auditors and to authorise the Directors to fix the remuneration of the Auditors

A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

Voting Arrangements for IDR-Holders

IDR-holders who wish to vote must follow the following procedure:

IDR-holders must deliver the IDRs to the Depositary at the latest on December 5, 1991 at the address given below (attention Securities Dept - telephone 32.2.508.82.15 - telex 21752 MORBK S), instruct the Depositary as to the manner in which votes should be cast, and indicate to whom the IDRs should be returned after the meeting.

Copies of the annual report are available from the Depositary at the address indicated below.

Depositary: Morgan Guaranty Trust Company of New York
35, Avenue des Arts, 1040 Brussels

J P Morgan

NOTICE

TUNGSRAM CO. LTD

TUNGSRAM Co. Ltd's Extraordinary General meeting of November 7, 1991 resolved that the Company's bearer shares are to be withdrawn, annulled and converted to registered shares. All bearer shares can be sent to the Secretary of the Company (Budapest IV, Váci ut 77, building No. 70, 1st floor, Room No. 114, Hungary) to have them converted by December 31, 1991. After this deadline, all shares not withdrawn shall be considered to be annulled, and the Company will have the right to sell the new shares issued instead of the bearer shares. However, persons presenting shares already annulled in this way will be entitled to the par value of the shares and annual interest of 20% accrued on such value from January 1, 1992, within the period of limitation provided by law.

We draw the attention of our shareholders to the fact that Law No. XX of 1949 also applies to the shares of TUNGSRAM Co. Ltd. (previously: United Incandescent Lamps and Electric Co. Ltd.), according to which shares issued before January 1, 1949 are valid - and convertible - only if the provisions of this law are complied with.

TUNGSRAM Co. Ltd

Levi finds a new fit in green

Playing to the environmental awareness of consumers, Levi Strauss, the world's largest brand-name clothing maker, is about to launch a range of "jeans for greens" that are made from naturally coloured strains of organically grown cotton.

The tanish-brown denim fabric is woven from naturally coloured cotton fibre, without the use of toxic dyes and formaldehyde normally used in processing. The coloured-cotton plants can also be grown without the use of chemical pesticides and herbicides.

The coloured cotton has been developed by a California plant breeder, Sally Fox, of Natural Cotton Colours, who cross-bred wild coloured cottons with longer-fibred white cottons to produce commercial varieties which are now being grown for Levi in Texas. Fox has developed a range of brown and green shades of cotton, which Levi will use, and has recently produced a natural red colour. Eventually she hopes to grow blue varieties.

"Not only is the coloured cotton a botanical breakthrough, but when woven creates cloth that is incredibly soft, beautifully coloured and comfortable to wear. The colour actually deepens with washing," said Roy Schiefner, Levi's product development manager.

Levi will begin its "Naturals" range with one style of men's jeans, which will be in limited distribution in the US next month. Levi expects to begin a full-scale roll-out of the new jeans next summer and eventually plans a range of jeans, jackets and shorts in the new fabric.

Will "green jeans" ever replace the familiar blue? "We don't think so," says a Levi spokeswoman. "People wear their faded blue jeans as a badge of experience. They become a sort of souvenir. There will always be a market for indigo blue jeans, but the potential for Naturals is enormous." Already other US clothing manufacturers including The Gap and Esprit are expressing interest in naturally coloured cotton.

Louise Kehoe

Bernard Simon on why North American banks fear being held liable for ecological damage

Sharks in the water

Algoma Steel, Canada's third-biggest steelmaker, has spent much of this year trying to stave off collapse by putting together a new financing plan. One of the thorniest concerns of potential backers, however, is that in coming to Algoma's rescue they could find themselves liable for ecological damage which has been caused over the years at the company's heavily polluted plant in Sault Ste-Marie, on the eastern tip of Lake Superior.

The worries of Algoma's creditors are shared by banks throughout North America. Besides facing the normal banking risk of a sour loan, the banks are increasingly nervous about having to shoulder the cost of expensive clean-up operations at polluted industrial sites.

According to an American Bankers Association (ABA) survey earlier this year, almost two-thirds of US community banks (those with assets under $500m) have rejected loan applications or potential borrowers because of concerns about environmental liability. Even so, about one in eight of the banks has had to pay pollution clean-up costs on property held as collateral for loans.

The result has been a significant tightening in the flow of funds to polluting industries, such as scrap merchants, businesses dealing with hazardous chemicals, pulp and paper mills, and even filling stations.

In a letter to President George Bush last month, the ABA listed environmental liability as one reason for the credit crunch in the US. The risk of being held liable for clean-up costs, ABA president Richard Kirk wrote, "is deterring banks from making loans to small businesses that have any conceivable environmental risk potential".

Among those businesses, scrap recyclers are complaining especially loudly. Under Environment Protection Agency rules, which equate shipping goods for recycling with arranging for their disposal, the recyclers can be held liable not only for pollution on their own properties but also at smelters and other facilities to which they may transport toxic materials.

"They're not getting working capital," says Herschel Cutler, executive director of the Washington-based Institute of Scrap Recycling Industries. "It's not because of the economic viability of the industry; it's because of the artificial liability hanging over them."

In Canada, where the law is even more imprecise than the US, banks are urging legislation to protect them from environmental liability.

According to a Canadian Bankers Association brief released earlier this month, "a lender should be able to monitor a debtor's business, conduct a loan work-out, and realise upon the security if the loan goes into default, without fear of becoming directly liable for environmental damage that the borrower may have caused".

Faced with increasingly tough anti-pollution laws, most North American banks have made environmental risk assessment an integral part of their loan-approval process. In a move typical in the industry, Canadian Imperial Bank of Commerce, the country's second-biggest financial institution, recruited a senior engineer from Shell Canada as its first general manager for environmental services.

The Canadian banks recently agreed on environmental audit procedures when a group of banks is involved in a large corporate credit facility. They have also spelled out responsibilities for monitoring environmental practices after the loan has been cleared.

Banks are encouraging customers, especially small businesses, to include an environmental statement in their business plans. This would include details of how hazardous products are handled, emergency plans to deal with spills, packaging of toxic substances and the degree to which the company complies with government anti-pollution regulations.

But even such close scrutiny of environmental hazards has been overtaken by legislation and court cases broadening lenders' liability for pollution damage. Ontario's Environmental Protection Act, for instance, recently extended liability to include not only those who have ownership or control of a source of contamination, but also anyone who previously controlled it.

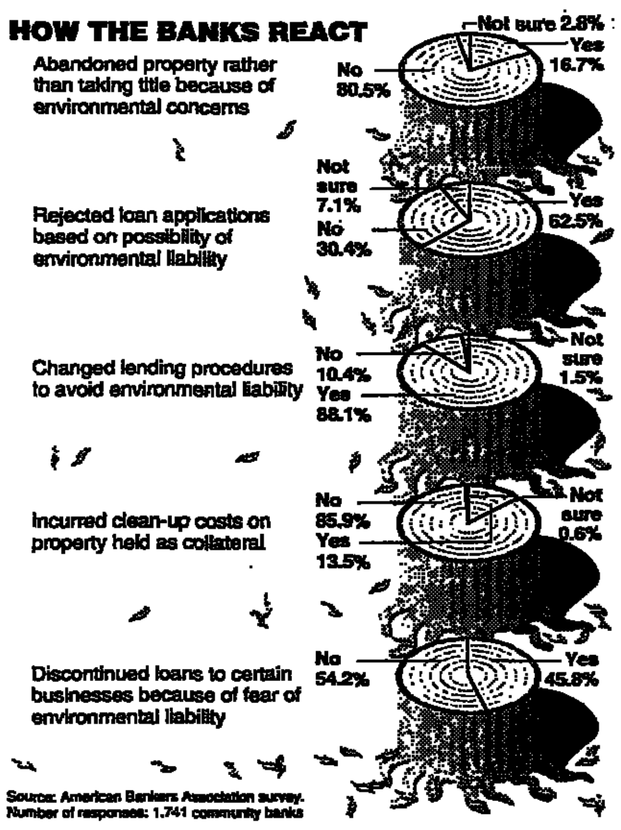
US law has for the past decade excluded secured lenders from the environmental liability of an "owner and operator", provided they don't participate in day-to-day management of the business. But the courts have interpreted "management" more broadly than lenders would like.

The banks have been especially unsettled by a case last year in the state of Georgia which involved Fleet Factors, a factoring company. The EPA sued Fleet for $375,000 to cover the cost of removing asbestos and for other clean-up operations at the site of a bankrupt cloth printer.

Fleet's advances to the company were secured by its plant and equipment. After the plant closed, Fleet took charge in selling inventory and generally winding down the business. The court held that Fleet could be liable as an "owner and operator" because it was in a position to influence the company's treatment of hazardous wastes.

Following a spate of protest against the Fleet Factors judgment, the US Congress and the EPA are moving towards new rules which would give greater protection to lenders. The agency recently cleared a Montana bank of liability for cleaning up a creosote waste dump on the property of a corporate customer which had defaulted on a loan. The bank held title to the property for only three months, and had warned that it faced collapse if it was held liable for even one-tenth of the $10m clean-up cost.

Such decisions help alleviate lenders' immediate concerns. But the banks are unlikely to relax their vigilance over environmental risks so long as the trend continues towards making polluters pay for the damage they cause.



Source: American Bankers Association survey. Number of responses: 1,741 community banks

Secret blend of material breathes life into filters

Andrew Baxter looks at a safe method of cleaning air

It may not have quite the consumer appeal of Colonel Sanders' secret blend of herbs and spices, but behind closed doors at a factory in western Sweden they have cooked up a mixture that could put the wind up the air filter industry.

A secret combination of some 15 synthetic materials is being produced at Skandfilter in Svenljunga, the first stage in the manufacture of a new type of replacement "bag filter" used for removing microscopic dust particles from air conditioning systems.

The product is the result of a £7m investment by Wheway, the UK environmental engineering group which owns Skandfilter through its Interfilta International division. As such, says John McGowan, Wheway chairman and chief executive, it is the first big development in filtration to have come out of Europe, rather than the US.

Called Synsafe, it is also a response to a development that has echoes in the history of the air filter industry – a possible health danger from the most popular material currently in use.

Early filters in the UK nuclear industry, for example, were made entirely of asbestos fibres, whose hairy or furry nature aided the collection of small particles. This, and its successor – a type of grass paper loaded with asbestos fibres – are now regarded as dangerous if fibres are breathed in by humans.

Since the 1960s, though, the standard material in use for air filters has been microglass, made from fine-diameter glass wool. It works very well, with the ability to trap in its mesh air particles smaller than one micron in diameter, and at that size there could be millions within one cubic foot of air. By comparison, a 10-micron dust particle "looks like a golf-ball," says McGowan.

The problem with microglass, however, is that finer grades are themselves made of fibres with diameters less than three microns. The flow of air through the filter, and vibration of the air conditioning system, can send thousands of filter particles into the atmosphere, particularly from a new filter which has yet to be coated by the particles it has trapped.

Sub-three micron particles are considered to be respirable, in other words, they may be inhaled into deep lung tissue and retained. Environmental groups, and in particularly the vocal US-based Victims of Fibreglass, say that glass fibre might become "the asbestos of the 1990s" and can cause cancer.

The campaign against glass fibre was given new impetus four years ago when the International Agency for Research on Cancer, part of the World Health Organisation, classified fibreglass wool as a Group 2b product, or "possibly carcinogenic to humans".

The classification is disputed by Manville, the world's dominant producer of microglass, and McGowan stresses he is not claiming that microglass is dangerous. Even so, with consulting engineers on building products beginning to specify that materials containing sub-three micron fibres should not be used, there could clearly be a commercial advantage for a new system which is not the subject of a health debate.

The market, after all, is nowhere near as miniscule as the particles collected by bag filters. McGowan estimates bag filters represent about 60 per cent of a £500m world market for replacement filters, two-fifths of which is in Europe.

Building on work by Sheffield University on the electrostatic properties of fibres, Wheway's initiative over the past four years developed into a joint UK-Swedish effort, following the 1989 acquisition of Skandfilter, headed by Roland Ohlander. The Swedish company had expertise in synthetic materials manufacture, although it had struggled to develop higher grades.


John McGowan: sees commercial advantages in not being caught up in a health debate

Although filters from oil-based synthetic materials are not new, the Interfilta product is claimed to be the first that achieves the efficacy and longevity of microglass. According to McGowan, it can last up to 40 per cent longer, depending on the circumstances.

The secret blend of materials is thermally and mechanically bonded to ensure it lasts longer, and air channels are ultrasonically welded – microglass has to be glued and sewn. But in any case Synsafe avoids being drawn into the health risk debate because its fibres are too big.

The material works in two ways: in early use it picks up particles through an electrically charged secondary layer to collect positively or negatively charged particles. Subsequently, the electrostatic charge is reduced as the filter collects more dust, and then the primary layer of material comes into action, trapping the dust in its matrix.

Synsafe is considerably more expensive to produce than microglass, but every sq ft used would need 2.5 sq ft of the rival material, says McGowan.

The product, launched in Europe in the spring and in the UK earlier this month, could lead to a battle in the air filter industry as microglass filter producers fight to protect their patch.

LEGAL NOTICES

Technology Group Ltd

Registered number: 1744377
Trading Name. Print Finance, AB Dick Finance
Nature of business. Equipment rental, leasing and broking
Trade classification: 36
Date of appointment of administrative receiver 20.11.91
Name of person appointing the administrative receivers
Barclays Bank Plc John Martin Iredale & Nigel John Vooght
Joint Administrative Receivers
(Office holder nos 2104 & 6339
of
Cork Gully
9 Greyfriars Road
Reading
RG1 1JG

Technology Finance Ltd

Registered number: 1580299
Trading Name (s). Sun Lease, Avenue Finance, Norsk Data Managed Rental, Rapid Finance, TFL Leaseguard, TGL Leaseguard
Nature of business: Equipment rental, leasing and broking
Trade classification: 36
Date of appointment of administrative receiver 20/11/91
Name of person appointing the Administrative Receiver
Barclays Bank plc John Martin Iredale & Nigel John Vooght
Joint Administrative Receivers
(Office holder no(s) 2104 and 6339

Cork Gully
9 Greyfriars Road
Reading
RG1 1JG

IN THE MATTER OF AMITY STATIONERY & PRINT SERVICES LTD AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 21st November 1991.
Dated this 21st November 1991
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
BALLDOWN LIMITED T/A STENCHEN

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at The Palace Hotel, 31 Great Cumberland Place, Marble Arch, London W1, on 5th December 1991 at 12.00 noon for the purposes provided for in Section 98 et seq.

A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 21st November 1991
Raymond E Miles, Director

TGL Rentals Limited

Registered number: 1847589
Trading Name(s): TGL Leaseguard
Nature of business: Equipment rental, leasing and broking
Trade classification: 36
Date of appointment of administrative receiver(s): 20/11/91
Name of person appointing the administrative receivers:
Barclays Bank Plc
John Martin Iredale & Nigel John Vooght
Joint Administrative Receivers
(Office holder no(s) 2104 and 6339

Cork Gully
9 Greyfriars Road
Reading
RG1 1JG

Technology Group Services Ltd

Registered number: 607521
Nature of business Equipment rental, leasing and broking
Trade classification: 36
Date of appointment of administrative receivers: 20.11.91
Name of appointment of Administrative Receivers:
Barclays Bank Plc John Martin Iredale & Nigel John Vooght
Joint Administrative Receivers
(Office holder nos 2104 & 6339
Address(es)
Cork Gully
9 Greyfriars Road
Reading
RG1 1JG

Technology Group Printing Equipment Ltd

Registered number 1905945
Trading Name (s) TGL Lease Guard & A B Dick Finance
Nature of business. Eqipment Rental, leasing and broking
Trade classification: 36 Date of appointment of administrative receivers: 20.11.91
Name of person appointing the Administrative Receivers:
BARCLAYS BANK PLC
Joint Administrative Receivers
(Office holder no(s) 2104 & 6339

Cork Gully
9 Greyfriars Road
Reading
RG1 1JG

COMPANY NOTICES

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 29th November, 1991 to 31st December, 1991 has been fixed at 4¾% per annum. On 31st December, 1991 interest of U.S. $4.333333 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 31st December, 1991 will be determined on 27th December, 1991.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA EUROPE LIMITED

Japanese cabinet agrees to halt drift net fishing

By Steven Butler in Tokyo

THE JAPANESE cabinet yesterday approved a moratorium on drift net fishing on the high seas by the end of next year, following a compromise agreement with the US late Monday at the United Nations.

The agreement brings to an end an increasingly bitter dispute between the two countries over Japan's drift net fishing, in which Japanese fishing trawlers set nets over 50 km long, catching and killing all marine life in the way in a search for squid, tuna, and pink salmon.

The practice, which has killed many dolphins, has drawn fierce protests from environmental groups, amid claims that fishing populations were being needlessly destroyed.

The US last month submitted to the UN a resolution that would ban drift net fishing by the end of June, 1992. The compromise agreement between the two countries calls for a cut in large-scale, high-seas drift net fishing of 50 per cent by mid-year and a "moratorium" by the end of the 1992, allowing the practice to continue for six months beyond the earlier US proposal.

The word moratorium, rather than ban, was apparently adopted as a cosmetic gesture to the Japanese, although the effect would be the same.

The two governments are to submit a reworded joint resolution to the United Nations general assembly.

The moratorium will affect about 10,000 fishermen working on 600 boats operating from northern Japan. The government is considering schemes to compensate the fishermen and boat owners. The Japanese Fisheries Agency said yesterday that the extent of economic damage was still unclear.

The government would continue to fund large-scale research programmes to develop other methods of capturing squid. But an agency official admitted that such attempts had so far failed.

Fishing fleets from both Taiwan and South Korea also engage in drift net fishing in the Pacific Ocean.

Uncertainty over size of crop plagues Indian jute industry

By Kunal Bose in Calcutta

EVEN THOUGH nearly 70 per cent of the Indian jute produced during a season is marketed by November, the jute mill industry, the trade and the jute commissioner have continued to advance varying estimates of the 1991-92 crop, highlighting once again the absence of scientific crop forecasting facilities.

While the jute commissioner, representing the government, maintains that the crop size will be close to last year's 9m bales (180 kg each), the industry says that it will be 9.2m bales. The trade, which more often than not is proved right as it has close links at village level, thinks that India will be harvesting at least 9.5m bales.

As the debate continues about the size of the crop Mr R. N. De, the jute commissioner, admits that the quality of fibre this season is poor, because the farmers did not get sufficient water for retting (soaking). This is a perennial problem of Indian jute farming. Surprisingly, in spite of the availability of sufficient funds under the Jute Development Programme, very little has been done to create proper retting facilities.

The huge output of inferior and medium varieties of jute has led to a sharp fall in prices. In contrast to past practice, moreover, the growers have not received any worthwhile support from the Jute Corporation of India, the central procurement agency, as it is facing a severe financial crisis.

Demand for quality fibre is firm and high grades like TD2 and TD3 are fetching handsome premiums. But the Indian mills producing superior varieties of yarn and fabrics for the export market will have to import high quality jute from Bangladesh.

Anticipating weak price, the government sanctioned, at the start of the season the export of 200,000 bales to hard currency markets, as well as the routine shipment of more than 50,000 bales to the Soviet Union and other bilateral trade countries. For exports to free currency areas it has been stipulated that every consignment must have 80 per cent of low and medium grades of fibre and 20 per cent of superior grades. Moreover, export prices must not be lower than the statutory domestic minimum.

Indian shippers are finding it extremely difficult to win orders in competition with Bangladesh, which allows its exporters greater freedom of operation. Bangladesh is offering jute at a substantial discount to its minimum export price of US$365 a tonne. And Bangladesh, unlike India, being a regular exporter of jute, the overseas buyers show a distinct preference to do business with it.

According to the UN Food and Agriculture Organisation's intergovernmental group on jute, kenaf and allied fibres, Bangladesh will be exporting 1.8m bales in 1991-92, compared with 1.6m bales last year.

According to Mr Shankar Ladia, spokesman for the jute traders, India will be able to export 100,000 bales at most to free currency countries.

Iran aims to unlock more mineral wealth

Steps have been taken to encourage private investment, writes Kenneth Gooding

CHINA HAS joined the growing list of countries helping Iran to boost its minerals production. Iran aims to lift output by nearly 20 per cent a year in the first half of the 1990s. Among other things, China is to supply technology for a zinc smelter in Iran – technology that Mr Hossain Mahlouji, Iran's minister of mines and metals, says European companies have refused to provide.

Iran has allocated $5bn for minerals exploitation, or one quarter of the $20bn investment budget under its present five-year economic plan, which runs until 1993.

The government has taken steps to encourage private sector involvement in large-scale joint venture projects and to attract foreign investment. The aim is to boost mining and minerals' contribution to GNP from the present 1 per cent to 5 per cent by 1993 and to 10 per cent or more by the middle of the following five-year plan.

By the end of 1993 Iran wants the value of annual mineral exports to increase from last year's $200m to $700m – although $400m is a more realistic target. Exports should be about $300m this year.

Mr Mahlouji says he and his colleagues at the ministry have been roaming the world looking for help. A recent visit to China not only brought a promise of zinc smelting technology but China will also sell Iran three mini-cement plants. Each will produce 200,000 tonnes of cement a year. There are many similar plants in China and the concept might work equally well on Iran's limestone deposits.

His ministry has also commissioned China to help with the geological survey work, which aims to cover the whole of the country in the next two years, and to pinpoint the most promising resources – Iran already produces 37 different minerals from about 1,000 mines. Yugoslavia did some survey work in the 1970s and now teams from Iran, France and Germany are involved.

China has also agreed to train 500 young Iranians in geology and non-ferrous metallurgy.

Iran has eight principal lead and zinc mines, which last year produced about 65,000 tonnes of concentrate (an intermediate material). Mr Mahlouji says China will now help Iran upgrade this at a 30,000-tonnes-a-year smelter.

But he says Iran is giving top priority to its steel production plans and the iron ore mining that goes with it. Second on the priority list for investment is decorative stone quarrying.

A consortium including Marubeni and Kobe Steel of Japan is to develop the Chadormalou iron ore mine for $400m. From 1994 Chadormalou will supply the new $4.7bn Mobarakeh steel complex built by Italian, Japanese and domestic companies near Esfahan.

Three more iron ore mines are being developed because Iran wants to increase steel production from about 3m tonnes this year to 6m tonnes by the mid-1990s. This will require about 12m tonnes of iron ore.

Decorative stone exports earned Iran about $100m last year and quarries can be expanded or developed without much foreign help or money. But Iran will import about 700 giant stone-cutting saws in the next three years because Mr Mahlouji has forbidden the use of explosives in future as being too wasteful – they destroy too much stone.

Other metals on Iran's strategic list are copper and aluminium. The Sar Cheshmeh copper mine and smelter, near Rafsanjan, is the biggest base metals producer with an output of 92,000 tonnes of copper last year. Outokumpu, the state-owned Finnish group, has been discussing the joint development of a $300m open pit and concentrator for a big copper deposit at Meduk, about 110km from Sar Cheshmeh. If this goes ahead, capacity of the Sar Cheshmeh smelter, which will take the Meduk concentrates, will need to be expanded to 200,000 tonnes a year.

As for aluminium, Iran last weekend put its $1.5bn Almadhi smelter project at Bandar Abbas on the "fast track" by signing various construction and engineering contracts to bring the plant into operation by July, 1994.

Earlier projections suggested the smelter, which will draw on Iran's abundant natural gas resources for reasonably-priced energy, would have an initial annual output of 240,000 tonnes a year and that this would subsequently be raised to 330,000 tonnes. But Mr Ian Livingstone, chief executive of Dubai Aluminium, which is providing technology and management help, says that, once in production, the Almadhi smelter will not stop growing but gradually be expanded to meet customer demands.

As part of a complex, 15-year financing package, at least two thirds of the metal will be exported to repay foreign investors. Marc Rich, the international commodities trading group based in Switzerland, will market the aluminium.

Rich is one of the partners in the Dubai-based International Development Corporation, which owns 40 per cent of the Almadhi Aluminium Corporation. Iranian partners, under the control of Mr Mahlouji's ministry, own the other 60 per cent. Other shareholders in IDC are Caradel Investments (the international development arm of the Al Tajir group) and George Wimpey, the UK construction company.

The smelter is projected to produce aluminium at a cost of $1,150 a tonne, compared with the average of $1,390 in Europe, where labour costs are three times as great. Iran's costs could probably be reduced by another $150 a tonne, Mr Mahlouji suggests.

He says Iran also intends the exploit bauxite reserves at Jajroum, estimated to total 22m tonnes, for upgrading into alumina. A $1.5bn plant is to be built with the help of Technoexport of Czechoslovakia to produce 2m tonnes of alumina, not only for the Almadhi smelter but also for others in the Gulf region: Dubai and Alba (Aluminium Bahrain).

Iran's first aluminium smelter at Arak, which Mr Mahlouji says produced 70,000 tonnes of metal last year, needs to be brought up to date – but this would be done without expanding its capacity, he insists. Pechiney has been involved in talks about the Arak project but it is understood negotiations are stalled because of Iran's insistence on paying with aluminium.

Obviously Iran is in a great hurry to make up for the 12 years it has spent in isolation following the Islamic revolution which displaced the Shah and eight years of war with Iraq. Changes to its bureaucratic systems have enabled half the mines to be privatised. While foreign companies are allowed only a maximum of 49 per cent of Iranian companies, arrangements have been put in place to enable them to take management control when necessary.

Iran itself could provide a great deal of the investment money needed but would prefer foreign finance rather than to spend its precious petro-dollars. However, Iran is still seen by most foreign companies as a country where the political risks are high. There are Iranian members of parliament *(majlis)* who are opposed to the present policy of opening up doors to the rest of the world and encouraging co-operation with foreign companies. However, elections in April are widely expected to stem this opposition.

Mr Mahlouji says: "It is already very clear where we are going. After the elections it will be even more clear".

Alcan leads the way with EC can recycling plant

By Kenneth Gooding, Mining Correspondent

ALCAN OF Canada yesterday formally opened a £28m plant at Warrington, in the north of England, which is the first in the European Community dedicated entirely to recycling used aluminium beverage cans.

The plant, which will recycle 50,000 tonnes of metal a year, spearheads the European industry's efforts to plug the growing gap between production and consumption in the region. Last year, European smelters, working nearly flat out, produced 3.9m tonnes of new aluminium but 4.79m tonnes was consumed.

However next year, at least 110,000 tonnes of aluminium can recycling capacity will be in place as Pechiney of France, VAW of Germany and Elval of Greece follow Alcan with dedicated plants while Reynolds Metals of the US will include a can section in a 60,000 tonnes a year recycling plant in Italy. Outside the EC, Granges of Sweden already has a dedicated plant.

Recycling provides the aluminium industry with cheap metal because the process saves up to 95 per cent of the energy need to produce primary aluminium and requires only 10 per cent of the capital investment. At the same time, aluminium cans are easily identifiable and can become part of a "closed loop" system with new cans being made from old ones.

The Warrington plant, built with the help of a £24m low interest loan from the European Investment Bank, will draw its raw material from imported beverage cans, mainly from the US, for the first few years, until collection systems develop in Britain.

All the ingots produced will go to rolling mills at Norff in Germany, jointly owned by Alcan and VAW, where a $590m expansion is under way in anticipation of explosive growth in demand for aluminium packaging materials.

Some of the can stock will then return from Germany to the UK where about 75,000 tonnes of aluminium was used to make beverage cans last year. Only 10 per cent is being recycled, less than half the European average.

Mr Nic Billane, Alcan Aluminium Can Recycling's marketing manager, expects the UK recycling rate to rise to at least 50 per cent within five years and that this, together with the expected growth in beverage can sales, should enable the Warrington plant to draw all of its raw material from the UK by the late 1990s.

IF ALUMINIUM prices fall further under the weight of Soviet exports, "something will crack" and western producers will make more output cuts, according to Mr David Morton, chairman of Alcan Aluminium, writes Robert Gibbens in Montreal.

"Continued Soviet exports at around 1m tonnes or more annually will simply create disarray in the world market," he said after making a speech at the Service Club.

Mr Morton said western smelters would have no choice but to cut capacity beyond the present 850,000 tonnes annually. He would not say, however, whether Alcan would go beyond the 153,000 tonnes already halted.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,680 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.70-2.20 (1.80-2.30).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 25.00-28.00 (23.00-25.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 85-105 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.14-2.17 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.30-2.45 (2.35-2.50).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 7.25 (same).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+5,625	to 826,475
Copper	+3,750	to 300,775
Lead	+150	to 119,300
Nickel	+372	to 8,700
Zinc	−3,300	to 154,450
Tin	−35	to 12,785

WORLD COMMODITIES PRICES

MARKET REPORT

Gold was in retreat on the London bullion market as silver fell sharply. Silver fell as far as 403 cents a troy ounce before recovering some of the losses on short covering. On Comex gold futures were lower at midday as the market continued to chip away at the $10 gains of the past fortnight. "We had some nice up moves last week, so this type of selling is to be expected," said one analyst. "We'll probably need to correct a bit more before resuming the uptrend, but nothing has changed fundamentally since Monday." London robusta prices closed mixed, with the January premium over March widening sharply to £26 from Monday's £18 a tonne. Some dealers had expected the differential to disappear in the recent downward retracement but it held fairly steady and when prices started to recover in the afternoon there was active buying interest in the spread. Prices bounced back amid sentiment that the market had completed its technical retracement after the recent sharp rise to a seven-month peak. Dealers noted fund selling in the morning with January dipping to a low of £560 before last trading £1 up at £578 a tonne. On the LME nickel rose on news that Inco's Port Colbourne plant will be out of service for the rest of the year.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.90-6.95q	-.10
Brent Blend (dated)	$19.60-9.70	-.10
Brent Blend (Jan)	$19.85-9.95	-.10
W.T.I. (1 pm est)	$21.25-1.35q	+.025
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$229-231	-2
Gas Oil	$194-195	-3.5
Heavy Fuel Oil	$83-84	-1
Naphtha	$204-206	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$366.80	-2.05
Silver (per troy oz)♣	408.5c	-10.0
Platinum (per troy oz)	$368.3	-4.1
Palladium (per troy oz)	$83.85	-1.05
Copper (US Producer)	108.41c	+0.70
Lead (US Producer)	37.37c	-0.01
Tin (Kuala Lumpur market)	14.67r	
Tin (New York)	254.5c	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	102.98p	-0.78*
Sheep (dead weight)†	140.24p	-14.7*
Pigs (live weight)†	85.50p	+0.74*
London daily sugar (raw)	$228.5x	+6.1
London daily sugar (white)	$261.5x	+2.5
Tate and Lyle export price	£235.5	+4.0
Barley (English feed)	£125.5u	
Maize (US No. 3 yellow)	£144.5	+0.5
Wheat (US Dark Northern)	£101.0	
Rubber (Jan)♥	50.50p	-0.50
Rubber (Feb)♥	50.75p	-0.50
Rubber (KL RSS No 1 Dec)	221.0m	-1.0
Coconut oil (Philippines)§	$590.0	
Palm Oil (Malaysian)§	$365.0	+7.5
Copra (Philippines)§	$382.5z	-2.5
Soyabeans (US)	£148.5	+1.0
Cotton "A" Index	61.80c	-.15
Wooltops (64s Super)	388p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Jan/Feb z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	187.00	187.00	187.00	
Mar	195.00	194.00	197.00	192.00
May	195.60	190.00	192.60	192.40
Aug	199.00	195.00	198.00	
Dec	198.00		192.00	
White	**Close**	**Previous**	**High/Low**	
Mar	280.2	283.0	282.5	279.5
May	280.7	283.5	281.0	280.0
Aug	284.2	285.0	283.5	283.0
Oct	262.2	263.0	262.5	261.5
Dec	259.7	260.5	259.5	
May	261.2	262.0	260.5	

Turnover: Raw 509 (531) lots of 50 tonnes. White 451 (1650)
Paris- White (FFr per tonne): Mar 1536.03, May 1551.28

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Jan	19.63	20.05	20.13	19.58
Feb	19.55	19.96	20.00	19.53
Mar	19.45	19.80	19.90	19.45
Apr	19.30	19.55	19.60	19.45
May	19.25	19.43	19.55	19.25
Jun	19.15	19.32	19.29	
IPE Index	20.06	20.30		

Turnover 23469 (18763)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Dec	192.50	195.75	197.00	190.75
Jan	194.00	197.00	197.75	192.50
Feb	191.75	193.50	194.00	190.00
Mar	186.50	187.00	188.00	185.50
Apr	180.00	180.50	182.00	180.00
May	175.00	174.25	176.00	174.00
Jun	173.50	173.80	174.50	173.00
Jul	172.00	173.09	174.00	172.00
Aug	175.50	174.00	176.00	174.00

Turnover 17232 (13276) lots of 100 tonnes

COTTON
Liverpool - Spot and shipment sales for the week ending 22 November amounted to 420 tonnes against 176 tonnes in the previous week. Sales were moderate, mainly in Malawi, African and Russian growths.

JUTE
December/January: c and f Dundee; BTC $385, BWC n/a, BTD $ 380, BWD $385, c and f Antwerp; BTC $380, BWC $380, BTD $380, BWD $360.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	714	713	714	703
Mar	752	751	752	742
May	775	773	775	765
Jul	798	796	798	789
Sep	821	818	821	811
Dec	848	845	848	839
Mar	874	870	874	868
May	891	886	891	884
Jul	905	903	905	901
Sep	922	918	922	915

Turnover: 7550 (7315) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.25 936.59 (951.66) 10 day average for Nov.26 955.21 (954.99)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	564	566	567	553
Jan	578	577	579	560
Mar	552	559	580	543

Turnover: 3058 (4188) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.25: Comp. daily 65.01 (66.14) 15 day average 64.51 (64.32)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	128.7	128.6	130.0	128.7

Turnover 127 (82) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low	
Apr	128.30	128.00	128.50	128.30
Jun	121.50	121.50	122.60	121.50

Turnover 125 (50) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Nov	1600	1611	1600	
Dec	1627		1645	1620
Jan	1670	1679	1675	1660
Apr	1668	1690	1681	1665
Jul	1455	1468	1455	
BFI	1600	1602		

Turnover 399 (76)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jan	124.65	124.30	24.90	24.60
Mar	128.00	127.40	28.00	27.90
May	130.85	130.35	31.00	30.70
Jun	132.45		32.50	32.40
Barley	**Close**	**Previous**	**High/Low**	
Jan	119.35	119.05	19.60	19.40
Mar	122.50	122.15	22.65	22.50

Turnover: Wheat 447 (233), Barley 259 (75).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jan	105.0	104.1	104.5	
Feb	108.0	105.5	106.0	
Mar	109.5		109.5	109.0
Apr	109.9		109.5	
May	110.0		109.0	
Jun	110.0		109.0	

Turnover: 33 (76) lots of 3,250 kg

HGSI – London FOX

	Close	Prev.	High	Low	Vol
Indx	135.56	135.15	135.56		

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 23,438 lots	
Cash	1111-2	1108.5-9.5		1116-6.5		
3 months	1138-9	1136-6.5	1146/1133	1143.5-4.0	1139-40	135,678 lots
Copper, Grade A (£ per tonne)					Total daily turnover 24,416 lots	
Cash	1333-5	1321-2	1139/1130	1338-9		
3 months	1301-2	1290-1	1307/1296	1306-7	1302-3	113,552 lots
Lead (£ per tonne)					Total daily turnover 1,989 lots	
Cash	287-7.5	286-7	286.75	286.75-7.0		
3 months	297.5-7.75	296-7	298/297	297.25-7.75	296.5-7	14,757 lots
Nickel ($ per tonne)					Total daily turnover 3,654 lots	
Cash	7155-65	7070-80	7100	7100-5		
3 months	7220-5	7140-50	7230/7155	7160-5	7200-10	18,779 lots
Tin ($ per tonne)					Total daily turnover 873 lots	
Cash	5500-10	5500-10	5490	5490-5		
3 months	5550-60	5565-60	5550/5535	5536-40	5530-40	4876 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 8,905 lots	
Cash	1178-80.5	1174-6		1179.5-80		
3 months	1177-8	1175-6	1183/1170	1179-80	1175-6	37,617 lots

LME Closing £/$ rate:
SPOT: 1.7963 3 months: 1.7726 6 months: 1.7508 9 months: 1.7292

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	366.55-367.05	
Opening	366.80-367.20	
Morning fix	367.00	204.434
Afternoon fix	366.25	203.801
Day's high	367.10/367.40	
Day's low	365.40/365.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.48	6 months	4.30
2 months	4.58	12 months	4.20
3 months	4.39		

Silver fix	p/fine oz	US cts equiv
Spot	228.40	408.85
3 months	234.35	413.60
6 months	240.40	418.75
12 months	252.20	428.85

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	366.25-367.25	204.50-205.00
Maple leaf	376.50-377.50	209.25-209.75
New Sovereign	89.25-90.25	49.75-50.25

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	79	58	1	6
550	38	26	8	24
600	11	10	38	58
Cocoa	**Mar**	**May**	**Mar**	**May**
725	54	78	27	28
750	40	63	38	38
775	31	50	54	50

Brent Crude	Jan	Feb	Jan	Feb
2000	42		38	69
2050	21		60	103
2100	11	30	110	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	366.2	368.1	0	0
Dec	366.3	368.3	368.0	365.8
Jan	367.9	369.9	0	0
Feb	369.3	371.3	371.0	369.0
Apr	371.8	373.8	373.5	371.3
Jun	374.2	376.2	375.5	374.0
Aug	376.8	378.8	377.7	377.7
Oct	379.3	381.4	0	0
Dec	382.0	384.1	383.4	381.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	367.0	371.5	371.0	366.1
Apr	369.6	374.0	373.5	369.5
Jul	372.1	376.5	0	0
Oct	378.1	382.5	379.0	379.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	407.4	407.2	403.0	403.0
Dec	407.5	407.5	409.0	402.0
Jan	409.4	409.4	0	0
Mar	413.6	413.6	415.5	408.5
May	417.5	417.5	420.0	413.0
Jul	421.3	421.5	422.5	417.0
Sep	425.2	425.5	428.5	423.5
Dec	431.2	431.5	433.0	428.0
Jan	433.2	433.6	0	0
Mar	437.2	437.6	436.0	435.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	105.20	104.50	105.50	105.00
Dec	104.85	104.35	105.30	104.60
Jan	104.25	103.95	104.60	104.10
Feb	103.70	103.40	103.80	103.70
Mar	103.45	102.95	104.10	103.20
Apr	102.90	102.30	0	0
May	102.40	101.85	102.65	102.00
Jun	101.90	101.10	0	0
Jul	101.45	100.65	101.50	101.00
Aug	101.20	100.20	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.92	8.94	8.93	8.76
May	8.85	8.87	8.85	8.72
Jul	8.83	8.87	8.85	8.72
Oct	8.83	8.87	8.83	8.77
Mar	8.79	8.85	8.77	8.77

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jan	21.02	21.42	21.58	20.99
Feb	20.85	21.23	21.38	20.82
Mar	20.68	21.04	21.17	0
Apr	20.58	20.91	21.02	20.61
May	20.49	20.80	20.92	20.56
Jun	20.41	20.70	20.84	20.45
Jul	20.34	20.61	20.72	20.40
Aug	20.28	20.53	20.61	20.35
Sep	20.24	20.47	20.56	20.30
Oct	20.22	20.43	20.51	20.25

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Dec	6169	6247	6260	6150
Jan	6274	6357	6385	6265
Feb	6233	6302	6330	6220
Mar	5988	6055	6080	5980
Apr	5725	5785	5800	5725
May	5526	5570	5585	5550
Jun	5425	5470	5500	5425
Jul	5385	5430	5475	5420
Aug	5440	5480	5520	5480
Sep	5550	5590	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1178	1188	1188	1173
Mar	1225	1234	1239	1221
May	1264	1270	1273	1260
Jul	1291	1304	1305	1290
Sep	1317	1329	1317	1317
Dec	1354	1365	1354	1354
Mar	1388	1399	0	0
May	1410	1422	0	0
Jul	1433	1443	0	0
Sep	1455	1467	1459	1455

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	77.75	77.40	78.00	76.60
Mar	83.25	82.20	83.35	81.55
May	85.75	84.90	85.75	84.40
Jul	88.30	87.55	88.40	87.10
Sep	91.15	89.95	0	0
Dec	95.25	94.25	95.25	95.25
Mar	98.60	97.60	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	57.00	58.70	57.50	56.85
Mar	58.92	59.69	59.30	58.85
May	59.90	59.88	60.30	59.67
Jul	60.70	60.47	61.00	60.60
Oct	62.80	62.32	62.95	62.80
Dec	63.27	62.92	63.50	63.20
Mar	64.50	64.19	0	0
May	64.92	64.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	168.80	165.55	169.40	166.10
Mar	169.75	167.30	170.50	167.70
May	170.50	167.75	171.00	167.85
Jul	170.25	167.50	169.60	169.00
Sep	168.00	166.75	0	0
Nov	157.05	155.75	0	0
Jan	155.95	154.75	0	0
Mar	155.95	154.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov.26	Nov.25	mnth ago	yr ago
1624.8	1623.4	1659.3	1706.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.25	Nov.22	mnth ago	yr ago
Spot	115.15	114.83	117.96	123.72
Futures	122.54	122.48	124.12	125.37

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	563/2	564/6	566/4	561/6
Mar	570/4	571/0	573/4	569/0
May	576/4	577/2	580/0	575/4
Jul	583/6	584/0	586/6	582/4
Aug	586/0	586/2	589/0	585/6
Sep	582/4	582/2	585/4	582/4
Nov	585/2	584/4	587/2	584/0
Jan	594/4	594/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.04	19.00	19.22	18.93
Jan	19.17	19.12	19.37	19.09
Mar	19.51	19.44	19.75	19.40
May	19.78	19.73	19.98	19.70
Jul	20.08	20.00	20.25	20.05
Aug	20.23	20.15	20.38	20.15
Sep	20.35	20.21	20.35	20.35
Oct	20.36	20.21	20.40	20.36
Dec	20.67	20.55	20.77	20.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	177.2	178.1	178.2	177.0
Jan	175.7	176.6	176.8	175.8
Mar	174.6	175.5	175.6	174.3
May	174.3	174.8	175.1	174.1
Jul	175.4	175.8	176.5	175.3
Aug	176.2	176.2	177.3	176.0
Sep	176.3	177.0	177.0	176.3
Oct	188.5	189.0	188.5	188.1
Dec	191.0	191.5	191.5	190.7

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	239/0	239/4	240/2	238/6
Mar	249/0	249/6	250/4	248/4
May	255/4	256/6	257/2	255/0
Jul	260/4	261/6	262/2	260/0
Sep	257/0	257/4	258/6	257/0
Dec	254/0	254/2	256/4	253/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	364/2	372/2	373/0	362/4
Mar	365/0	372/4	374/0	364/0
May	350/2	354/6	356/0	349/0
Jul	323/6	327/6	329/6	323/0
Sep	328/0	334/0	334/2	328/0
Dec	341/0	345/0	344/4	341/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.77	73.95	74.25	73.65
Feb	74.62	74.60	74.85	74.30
Apr	74.32	74.42	74.65	74.20
Jun	70.95	71.00	71.20	70.80
Aug	69.00	69.00	69.22	68.95
Oct	69.20	69.10	69.50	69.00
Dec	70.30	70.30	70.30	70.15

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.15	41.77	42.25	41.85
Feb	42.65	42.62	42.80	42.45
Apr	40.50	40.37	40.70	40.35
Jun	45.55	45.30	45.60	45.40
Jul	45.70	45.32	45.72	45.55
Aug	44.45	44.27	44.45	44.30
Oct	41.07	41.05	41.25	41.00
Dec	41.82	41.82	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	39.32	39.45	39.85	39.50
Mar	39.27	39.32	39.65	39.25
May	40.52	40.27	40.70	40.00
Jul	40.65	40.90	41.00	40.40
Aug	39.27	39.25	39.80	39.27

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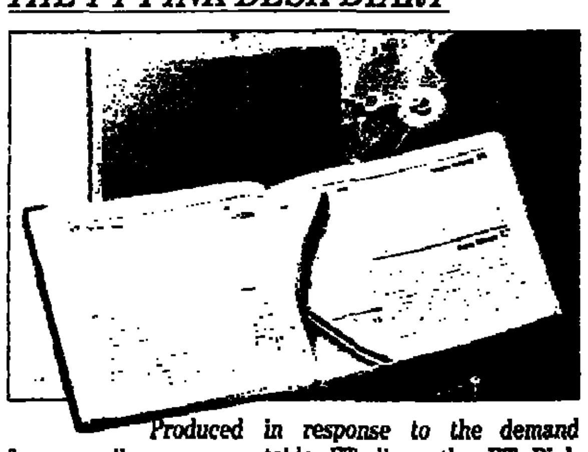

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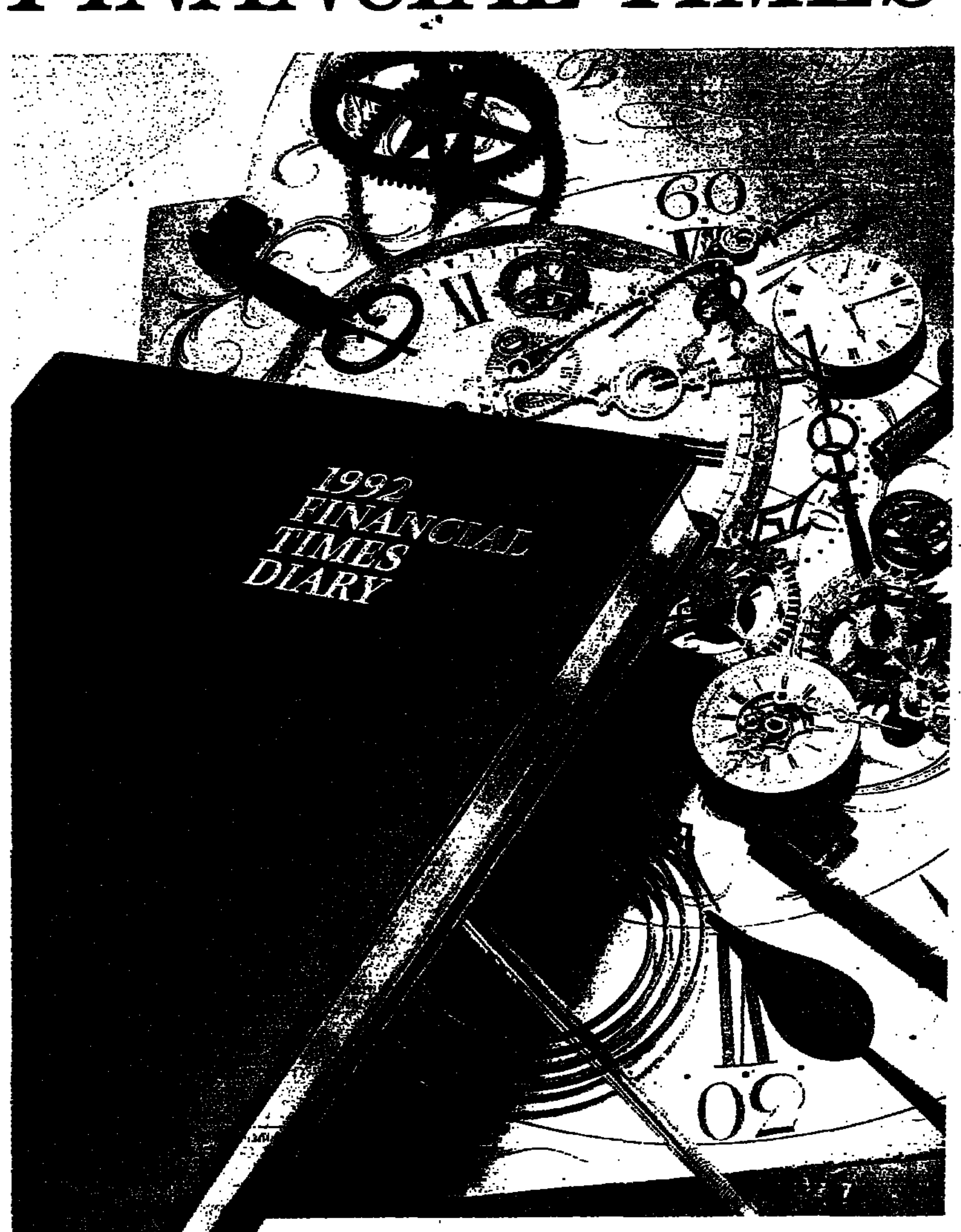

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Black (to fit PP)	WP		27 91		24.05		23.90		24.40	
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THE FT COLLECTION

LONDON STOCK EXCHANGE

Gains extended in nervous trading

By Terry Byland, UK Stock Market Editor

CURRENCY factors continued to call the tune in the UK stock market yesterday. Shares extended their gains as sterling improved in the early part of the session but lost their footing later when the dollar and Wall Street reacted to news of a severe fall in consumer confidence in the US.

By the close of trading, the day's gain on the FT-SE Index had been cut to 15.3 points for a final reading of 2,471.5. But a fall on Wall Street, which had already brought the Footsie back from its mid-session level of 2,483.6, was sharply extended after UK trading hours, when sterling had also begun to fall again against the D-Mark.

The equity session had opened firmly, with share prices responding readily to the comment in London from the German economic minister that he did not expect a rise in German interest rates. UK shares quickly followed the general advance in other European stock markets, and the Footsie was more than 27 points ahead at the best moment of the trading session.

With concern that UK rates might have to rise eased somewhat by the German Minister's words, store, consumer industry and some construction shares moved ahead. The food retail sector was also helped by good trading figures from Argyll Group and by its announcement, quickly followed by its rivals, that it proposed to trade on Sundays over the Christmas period.

However, the market's advance was halted and then swiftly reversed early in the afternoon when the US Conference Board revealed that its Confidence Index had fallen to 50.6 in November from a revised 60.1 in October. The Dow was slow to react and showed a loss of only three points when trading ended for the day in the London market.

London market strategists sounded cautious at the close of business and were not inclined to put too much faith in the recovery from Monday's low point of 2,431. UK equities are clearly still unsettled by the tone of the currency market and institutional investors are remaining on the sidelines. "We are still on fragile ground," was the view of at least two of the leading London-based securities houses.

Seaq-reported volume increased to 555.8m shares from the 416.4m of the previous session. Yesterday's improvements were mostly among the consumer stocks which have suffered a renewed setback over the past fortnight as hopes for a cut in UK base rates have been replaced by wild fears that UK rates rates could be forced up by developments in the global currency markets.

At Schroders, Mr Robin Aspinall warned that Wall Street would test critical support at Dow 2,850. However, Mr Peter Thorne at Nikko Securities was among those UK analysts to suggest that London may now be overconcerned about Wall Street and the UK market is likely to be sustained by its healthy yield ratio against the government bond sector.

Several leading UK houses support the yield ratio argument for equities and urge investors to take advantage of the current weakness in share prices. However, their optimism is to some extent counter-balanced by the inclination of fund managers, having profited in London during the first three quarters of the year, to put new money into cash for the final three months of 1991.

Account Dealing Dates		
*First Dealings:		
Nov 11	Nov 25	Dec 9
Option Declarations:		
Nov 21	Dec 5	Dec 23
Last Dealings:		
Nov 22	Dec 6	Dec 27
Account Day:		
Dec 2	Dec 16	Jan 6

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov 26	Nov 25	Nov 22	Nov 21	Nov 20	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.66	85.68	85.88	86.48	86.72	82.43	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.36	95.42	95.66	96.20	96.39	89.46	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1887.7	1876.3	1886.8	1888.9	1898.2	1699.7	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	172.2	174.2	169.0	157.8	156.5	157.5	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2471.5	2456.2	2446.3	2463.5	2472.6	2144.3	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1125.86	1110.51	1113.88	1118.14	1124.02	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.94	4.97	5.23	5.18	5.16	5.68				
●Earning Yld %(full)	7.33	7.40	7.49	7.41	7.40	11.88				
●P/E Ratio(Net)(☆)	17.17	17.00	16.82	16.98	17.02	10.20				
SEAQ Bargns 4.45pm	24,036	23,559	30,035	24,805	25,821	23,210				
Equity Turnover(£m)†	-	653.86	1021.64	958.22	980.86	703.80				
Equity Bargains†	-	22,458	29,490	23,970	25,280	21,984				
Shares Traded (ml)†	-	340.6	502.1	456.3	424.4	327.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.19

Ordinary Share Index, Hourly changes — Day's High 1895.6 — Day's Low 1883.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1885.8	1886.6	1885.3	1892.5	1891.8	1893.2	1894.4	1893.5	1891.0

FT-SE 100, Hourly changes — Day's High 2483.6 — Day's Low 2462.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2466.4	2466.8	2465.0	2477.2	2478.3	2479.8	2481.1	2480.2	2475.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1127.08 — Day's Low 1116.99

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1117.57	1118.10	N/A	1123.02	1123.34	1124.08	1123.22

GILT EDGED ACTIVITY

Indices*	Nov 25	Nov 24
Gilt Edged Bargains	90.3	94.0
5 – Day average	87.7	88.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	152	323	-12	Cookson	1,200	99	-3	Lucas	634	124	+1½	Severn Trent Water	401	309	+9
ASDA Group	2,500	39		Courtaulds	795	470	+2	MB Caradon	1,000	240	+3	Shell Transport	8,100	501½	-2½
Abbey National	2,200	274		Dalgety	678	371	+7	MEPC	476	457	+7	Siebe	687	469	+14
Albert Fisher	1,900	88	+1	De La Rue	586	436	+8	Meyer	829	297	+8	Slough Ests	681	237	+5
Allied-Lyons	1,300	607		Dixons	874	222	+4	Marks & Spencer	3,200	288	+4	Smith (W H) A	899	461	+11
Amstrad	1,700	32	+½	ECC Group	775	461	+6	Maxwell Comms.	11,000	55	+11	Smith & Nephew	971	138	
Anglian Water	576	342	+2	Eastern Elect.	1,300	236	+3	Midland Bank	538	230	+2½	SmKl Beecham	1,100	791	+3
Argos	2,100	289	+9	East Midland Elect.	286	244	+2	Midlands Elect.	1,100	254	+5	SmKl Beecham Uts.	54	3488	+3
Argyll Group	4,900	280½	+10½	Enterprise Oil	1,600	622		NFC	4,300	229	-3	Smiths Inds.	2,300	250	+4
Arjo Wiggins	1,200	288	+5	Eurotunnel Units	336	400	+5	NatWest Bank	3,100	314	+5	Southern Elect.	317	291	+3
Ass. Brit. Foods	233	432	+5	FKI	487	55	+2	National Power	1,800	147	+1	South Wales Elect.	4	306	+4
BAA	1,500	489	+9	Ferranti	889	6½	+¼	Next	2,300	62½	+1½	South West Water	402	328	+3
BAT Inds.	2,800	825	-4	Fisons	825	404	+4	North West Water	383	354	+5	South West. Elect.	174	247	+2
BET	2,300	210		Forte	4,000	253	-4	Northern Elect.	274	256	+1	Southern Water	70	311	+1
BICC	388	327	+4	Gen. Accident	709	446	+2	Northern Foods	625	638	+12	Standard Chartd.	521	389	+10
BOC	752	580	+4	General Elect.	9,900	185½	+5	Norweb	327	275	+5	Storehouse	899	99	
BPB Inds.	1,800	154	+2	Glaxo	1,800	765		Pearson	366	752	+8	Sun Alliance	378	315	+3
BTR	6,800	361	+9	Glynwed Int.	137	201	+1	P & O	1,100	463		T&N	588	115	+1
Bank of Scotland	348	119	+1	Granada	2,100	187	+4	Pilkington	1,700	132		TI Group	585	573	+10
Barclays	2,400	385	-3	Grand Met.	1,100	841½	+4½	PowerGen	2,900	154½		TSB	3,800	127	+1
Bass	813	947	+2	GUS A	166	1302	+7	Prudential	3,200	238	+7	Tarmac	1,000	140	+3
Beazer	282	113	+2	GRE	1,500	146	+4	RHM	2,300	252	+4	Tate & Lyle	3,900	357	+8
Berisford Int.	58	25		GKN	675	306		RMC	3,700	508	+6	Taylor Woodrow	526	140	-1
Blue Circle	3,100	222	-3	Guinness	2,200	501	-1	RTZ	1,100	528	+6	Tesco	4,700	225	+4
Booker	573	489	+3	Hammerson 'A'	27	573	+2	Racal	4,000	56		Thames Water	707	342	+1
Boots	910	423	+6	Hanson	12,600	208	+3½	Rank Org.	1,100	664	+12	Thorn EMI	571	778	+9
Bowater	190	670	+2	Hanson Warrants	1,800	22¼	+1	Reckitt & Colman	380	652	+3	Tomkins	888	385	+14
Brit. Aerospace	429	304	-1	Harrisons Crosfield	821	140	+1	Redland	909	485	+15	Trafalgar House	857	219	+3
British Airways	1,000	211	+4	Hawker Sidd.	218	729	+8	Reed Intl.	843	501	+4	Ultramar	562	330	-2
British Gas	5,800	245	-3	Hillsdown	4,200	175	-1	Rentokil	25	355	+3	Unigate	360	296	+7
British Land	209	286	+5	IMI	222	220	+7	Reuters	1,300	885	+7	Unilever	3,900	841	+3
BP	5,100	309½	-4½	ICI	824	1212	+16	Rolls Royce	6,400	128½	+1	United Biscuits	1,000	382	
British Steel	13,000	74	+½	Inchcape	1,000	399	+5	Rothmans	162	1061	+2	Utd. Newspapers	279	374	+4
British Telecom	4,800	348	+2½	Kingfisher	1,100	514	+3	Ryl Bk Scotland	773	173	+3	Vodafone	2,500	381	+5
Bunzl	123	85	+1	Ladbroke	1,700	256	-1	Royal Insurance	1,100	287	-1	Wellcome	1,000	858	+3
Burmah Castrol	122	551	+3	Land Securities	375	600	+7	Saatchi	143	13¼		Welsh Water	82	388	+2
Burton	1,800	39½	+1	Laporte	121	884	+5	Sainsbury	4,800	336	+10	Wessex Water	297	387	+1
Cable & Wire.	1,300	538	+4	Legal & General	608	382	-1	Scottish & New.	1,000	394	+2	Whitbread 'A'	552	437	-1
Cadburys	827	405	+3	Lloyds Abbey	84	398	+3	Scot. Hydro-Elect.	1,100	104	+3	Williams Hldgs.	805	312	-2
Calor Group	7	283	-3	Lloyds Bank	984	387	+2	Scottish Power	5,600	102	+3	Willis Corroon	1,800	249	+8
Carlton Comms.	1,400	485	+4	LASMO	1,100	285	+1	Sears	5,400	100	+3	Wimpey	384	150	+1
Coats Viyella	1,100	177	+2	London Elect.	614	246	+2	Sedgwick	868	217	+4	Yorkshire Elect.	213	285	+2
Comm. Union	342	482	-1	Lonrho	2,800	230	-½	Seaboard	108	259	+6	Yorkshire Water	27	389	+6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Argyll figures please

EXCELLENT interim figures from Argyll, the Safeway supermarket group, and news that the front-line food retailers will be opening their doors to customers on Sundays during December triggered a rush of buying interest throughout the sector.

Shares in many of the retailers have been under pressure recently amid worries about a price-cutting war. Asda recently declared a price freeze until after Christmas, while Kwik-Save launched a price-comparison campaign in national newspapers.

Argyll outperformed the rest of the sector yesterday, advancing 10½ to 280½p, with most of the gain coming swiftly after the figures were revealed. These showed half-time profits up from £143.1m to £177.8m and the dividend increased from 2.78p to 3.2p. The results were at the top end of estimates.

Mr Tony Shiret, retailing analyst at Credit Lyonnais Laing (CLL) shifted his full-year profits estimate on Argyll to £370m and his forecast for next year to £435m, and changed his recommendation from hold to buy. "Argyll has done better than Tesco and Sainsbury in moving sales ahead and maintaining margins," said Mr Shiret. He added that any damage emerging from the perceived price-cutting war would occur at the bottom end of the market.

The CLL analyst took the view that the Sunday opening in the run-up to Christmas would reduce the traditional surge of buying as the festive season loomed but would also increase sales.

J. Sainsbury and Tesco shares participated in the Sunday-opening induced excitement, with the latter adding 4 at 225p on 4.7m and the former finally 11 higher at 336p on 4.8m. Asda merely marked time, closing at 39p, while Kwik-Save edged up 3 to 543p.

Greenbank deal

There was exceptional turnover in Walker Greenbank, the commercial wallcoverings group, after a very large three-way placing. The stock closed unchanged at 59p with 37m shares traded.

Aubin, the Jersey-based investment vehicle which was the largest shareholder in Walker, had earlier this year attempted a management coup by trying to place five non-executive directors on the board to question management costs and strategy. Yesterday, it sold off 12.3m shares at 55p through its broker, who placed them with another marketmaker which sold them to institutions at 56p. They represented a large chunk of Aubin's near 28 per cent stake, built up since mid-1989 at an average price of 64p.

Prudential firm

Prudential Group gave the most impressive performance of the life assurance stocks after the company hosted a presentation to insurance analysts at its headquarters in London yesterday.

Among the highlights of the presentation was a demonstration of the importance and success of Prudential's US subsidiary Jackson National. Prudential acquired Jackson exactly five years ago last Monday, and told assembled analysts that Jackson's assets had grown from around $2bn to $13bn during that period.

At the close Prudential shares were 7 stronger at 238p with turnover reaching 3.2m.

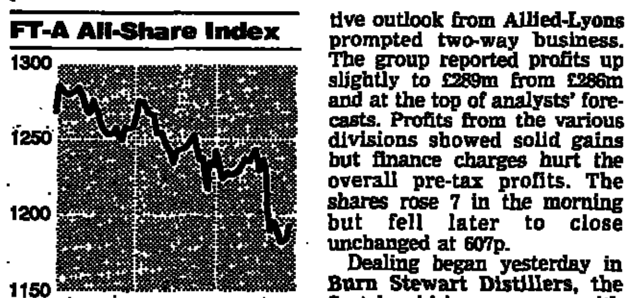
Forte lower

A re-examination of the prospects for Forte by one securities house prompted the shares to fall against the market trend on heavy turnover of 4m. Forte, already down by almost 25 in the past two weeks, closed 4 lower at 253p.

Smith New Court moved its recommendation from "hold" to "reduce". The house cut its current year estimate by £16m to £96m and its 1992 prediction by £12m to £168m, on the basis that the hotels side of the business in the UK is recovering more slowly than expected and the restaurant arm appears to be under renewed pressure. Mr Roy Owens of Smith said: "We still regard Forte as a solid reliable stock but the rating is a bit too high."

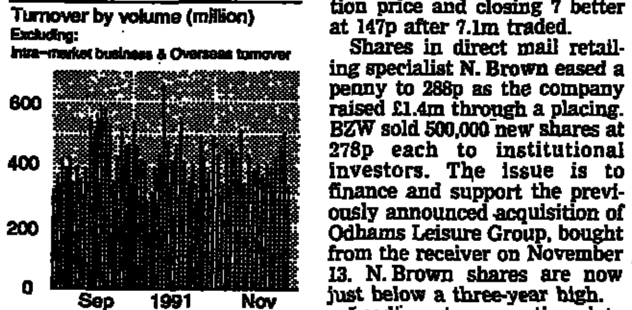
The re-evaluation of Forte is the beginning of a significant review by Smith of stocks within the hotels and leisure sector.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Relief that Maxwell Communication Corporation had gained time to put its financial house in order following the death of chairman Mr Robert Maxwell prompted the publishing group's shares to rise sharply for the second consecutive day. They advanced 18 at one stage before easing with the market to close 11 ahead at 55p, a 25 per cent gain on the day on turnover of 11m.

A meeting of bankers and the heirs to the Maxwell empire on Monday led to a standstill pact allowing a phased sale of assets to cut debt. MMC shares rallied 8p on the news on Monday.

A block of 5.6m Shell shares that was traded at 490p, a substantial discount to the market price, was believed to be the first half of a bed and breakfast or tax-related deal. Shell closed 2⅛ off at 501½p.

First-half results at the high end of expectations and a positive outlook from Allied-Lyons prompted two-way business. The group reported profits up slightly to £289m from £286m and at the top of analysts' forecasts. Profits from the various divisions showed solid gains but finance charges hurt the overall pre-tax profits. The shares rose 7 in the morning but fell later to close unchanged at 607p.

Dealing began yesterday in Burn Stewart Distillers, the Scotch whisky company, with the shares opening at the flotation price and closing 7 better at 147p after 7.1m traded.

Shares in direct mail retailing specialist N. Brown eased a penny to 288p as the company raised £1.4m through a placing. BZW sold 500,000 new shares at 278p each to institutional investors. The issue is to finance and support the previously announced acquisition of Odhams Leisure Group, bought from the receiver on November 13. N. Brown shares are now just below a three-year high.

Leading stores continued to recover well following their sharp reversal last week. Vague talk that W.H. Smith might join the FT-SE 100 index resulted in the stock leading the sector higher. Smith was 15 better at one point before ending at 461p for a net gain of 11. Traders said sales by Smith were holding up well by comparison with other retailers because the company concentrated on "low ticket" items.

Other stores to outperform the rest of the market included Argos, 9 ahead at 289p, Marks and Spencer, 4 firmer at 288p, and Dixons, up 4 at 222p.

There was vague talk of a buy note on Ratners, said by some to have originated in the money markets. The shares were 3 higher at 57p at one point, but as denials emerged from securities houses the price fell back to 54p, unchanged on the day.

SmithKline Beecham nudged ahead 3 to 791p in anticipation of UK approval for its Kytril sickness drug next Monday. Glaxo, whose Kytril competitor is Zofran, was off sharply in early trading but finished unchanged on balance at 765p.

GEC moved ahead 5 to 185½p on heavy turnover of 9.9m amid strong institutional support.

Severn Trent outpaced the rest of the water sector and particularly the stocks in the Footsie after Credit Lyonnais Laing (CLL) told clients to switch from Anglian to Severn Trent. The latter ran up 9 to 309p while Anglian managed a rise of only 2 to 342p.

The CLL team highlighted the difference in the yields on the two stocks and said it expected Anglian to be derated "now that the company is giving more emphasis to diversification".

Regional electricity stocks moved higher, with Norweb's interims well received and the shares 5 better at 275p. National Power edged up to 147p after the half-year results.

A positive statement at the company's annual meeting helped Smiths Industries to rise 4 to 50p. Molins dropped 21 to 338p after Cazenove, together with Lazard Brothers, placed past bidder Leucadia National Corporation's 48.4 per cent stake.

Office equipment distributor Erskine House jumped 11 to 81p after surprising the market with better than expected interim results.

Volume in British Steel rose to 12m as the shares edged forward to 74p. The bulk of the turnover was provided by a block of 6.5m dealt at 69p as the second half of a tax-related "bed and breakfast" deal.

Composite insurers moved moderately higher, with dealers thought to have been caught short of stock. Guardian Royal improved 4 to 146p and Sun Alliance 3 to 315p, but specialists said the gains were "unconvincing" and the sector remained extremely sensitive.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (32).
BUILDING MATERIALS (2) Eperin, Kalon, CONTRACTING & CONSTRUCTION (2) Gleeson (MJ), Smart (J), ELECTRICALS (2) Chemring, Dale, ELECTRONICS (2) Psion, Tunstall, FOOD RETAILING (1) Park Food, HEALTH & HOUSEHOLD (1) Proteus Intl., HOTELS & LEISURE (2) Airtours, Resort, INVESTMENT TRUSTS (1) St David's Inc., MEDIA (1) Trans World Comms., MISCELLANEOUS (3) Haemocell, Spandex, Young (H), OIL & GAS (1) Sidlaw, OTHER INDUSTRIAL MATERIALS (1) Marling, PROPERTY (1) Bilton (P), TRANSPORT (2) NFC, P&O 5½pc Pfd.
NEW LOWS (41).
AMERICANS (1) Bethlehem Steel, BUILDING MATERIALS (1) SWP, BUSINESS SERVICES (1) ADT, CHEMICALS (1) Chemex CONTRACTING & CONSTRUCTION (2) Dean & Bowes, Taylor Woodrow, ELECTRICALS (3) Ericsson (LM), Fujitsu, Sony, ELECTRONICS (1) Alphameric, ENGINEERING GENERAL (3) Elliott (B), Simon, Verson Intl., FOOD MANUFACTURING (1) Linton Park, HOTELS & LEISURE (1) Wembley, INSURANCE COMPOSITE (1) Topdanmark, INVESTMENT TRUSTS (4) Fleming Emg. Mkts. Wrrnts., French Property, Do. Wrrnts., Gartmore Scotland, MEDIA (2) Black (A & C), Midlands Radio, MERCHANT BANKS (1) Wintrust, METAL & METAL FORMING (1) ASW, MISCELLANEOUS (3) Bilston & Battersea, Novalal, PFG Hodgson Kenyon, OIL & GAS (2) Oliver Res., Pict Pet., OTHER FINANCIAL (2) South America Fund, Do. Wrrnts., PACKAGING, PAPER & PRINTING (1) Repola, PROPERTY (8) Chesterfield, Do. 5¼pc Prf., Gt. Portland, Hambro Countrywide, Mickdegate, Rosehaugh, STORES (1) Bentalls, TEXTILES (1) Jerome, TRANSPORT (1) P&O Wrrnts. '88-92, MINES (1) Waverley Mining Fin.

EQUITY FUTURES AND OPTIONS TRADING

STRONG buying in Footsie futures was seen for most of yesterday, helping the December contract to maintain a healthy premium to the underlying index, writes Joel Kibazo.

Trading in the contract opened strongly, with many dealers who had taken on long positions overnight looking for further advances.

By mid-morning, buying from independent traders and large institutions had gathered momentum and December continued its rise, pulling the underlying cash market higher as dealers anticipated a strong opening on Wall Street.

Then, profit-taking just before Wall Street's opening prompted December to lose some of its premium. The selling increased after Wall Street reversed an earlier gain as its momentum was curtailed by figures showing a sharp drop in US consumer confidence.

At the close, December stood at 2,489, up 18 on the previous session and 6 above its estimated fair value premium to cash of 11.

In the LTOM, turnover fell to 24,264 in quiet trading. Hanson was the busiest stock option as dealers decided to take profits. It had 2,284 contracts traded, with the February 92 calls the busiest series. This was followed by Asda.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8pc 1991		99½ xd	—	99½	96½	8.02	10.12
2¼pc 1992‡‡		[illegible]	—	101½	100½	12.72	10.40
10pc 1992		[illegible]	—	100½	97½	10.02	10.36
2pc IL 1992‡‡		134½	—	134½	125½	2.84	8.28
[illegible]							
Five to Fifteen Years							
Treas 13¼pc 1997‡‡		111½	+⅛	114½	108½	11.86	10.22
Exch 10½pc 1997		101½	+⅛	103½	97¼	10.33	10.06
Treas 8¾pc 1997‡‡		94½	+⅛	95½	89½	9.24	9.97
Exch 15pc 1997		120¼	—	123½	117	12.47	10.33
9¾pc 1998		98½	+⅛	100½	93½	9.89	10.06

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
Treas 6¾pc 1995–98‡‡		87¼	+⅛	88½	80⅝	7.74	9.46
15½pc '98‡‡		125½	—⅛	128¾	121¾	12.36	10.22
Exch 12pc 1998		109	—⅛	111½	104¾	11.01	10.17
Treas 9½pc 1999‡‡		97⅞	—⅛	100½	92½	9.71	9.91
Exch 12¼pc 1999		110½	—⅛	113⅝	105½	11.09	10.17
Treas 10½pc 1999		102½	—⅛	104½	97½	10.26	10.05
[illegible]							
Undated							
Consols 4pc		40½	—⅛	41¾	37½	9.89	—
War Loan 3½pc‡‡		35½ xd	—⅛	37½	33½	9.76	—
Conv 3½pc '61 Aft.		59½	—⅛	59½	57¾	5.91	—
Treas 3pc '66 Aft.		29½ xd	—	30½	28½	10.16	—
Consols 2½pc		25½ xd	—	25½	23½	9.90	—
Treas. 2½pc		24½	—	25½	23½	10.09	—

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield (1)	Yield (2)
Index – Linked	(b)						
Treas. 2pc '94	(102.9)	123	—	123¾	115½	2.53	3.61
2pc '96	(67.9)	177¼	—	177½	168½	3.38	3.94
2½pc '01	(78.3)	144¾	—	145⅞	137½	3.98	4.22
[illegible]							

OTHER FIXED INTEREST

[illegible]

APPOINTMENTS

Tough task to find pioneers

Roger Squire, the former development director of MEPC, has been appointed assistant chief executive at the London Docklands Development Corporation. He takes over from David Hall, who retires early in the new year.

Squire has the unenviable task of trying to attract private sector investment to the Royal Docks, an expanse of land and water covering 667 acres five miles east of the City of London.

Although some schemes are already on the drawing board, it will be difficult to attract pioneers to such an undeveloped area while the property industry is in deep recession.

He will also have his work cut out in attracting investment and development to other parts of the docklands, which are still glutted with empty space following an extensive building programme in the mid-1980s.

Squire worked for nearly 30 years with MEPC before resigning in May this year. His unexpected departure was seen by the City as foreshadowing a period of consolidation for MEPC, which is expected to make large provisions against its development programme in its final results on Thursday.

Squire, 48, joined MEPC as a surveyor in 1972. He became manager of the investment department two years later and in 1975 he was appointed general manager of the European office. After two years as development controller, he was elected to the board in 1978.

As chairman of MEPC Developments, he had responsibility for the company's £1.2bn UK development programme.

Squire has worked on committees and working parties of the British Property Federation. He is currently a member of a Department of the Environment Study Group which was set up to examine delays in the planning system.

A British bright spark

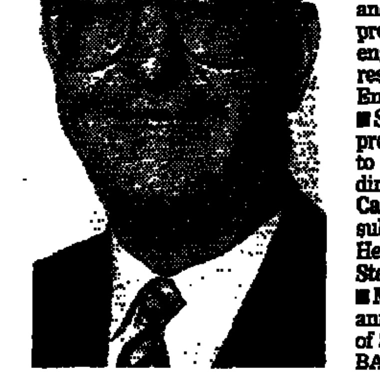
NGK, the Japanese spark-plug maker now battling it out with Cooper Industries' Champion brand for UK market leadership, has made Briton Jim Hughes (right) the first non-Japanese head of one of its world operating companies.

The appointment of Hughes as md of NGK Spark Plugs (UK) is his reward for 10 years spent raising NGK's UK market share from 5.5 per cent when he joined the company in 1981 to a claimed 30 per cent-plus now.

Hughes, previously deputy md, has thus put NGK in a position to claim at least level pegging with his "old firm" – he quit as general sales manager of Champion's Wirral-based UK operations to go to NGK in 1981.

He will continue to report to Kazuhiko Hasegawa, who remains md of NGK's fast-expanding European operations, including a recently-opened plant at Meung-sur-Loire, near Orleans, producing more than 1m spark-plugs a month.

It has been a good year for Hughes; only a few months ago he succeeded Ferodo's John Anderson as chairman of APAS, the aftermarket parts and accessories section of the Society of Motor Manufacturers and Traders.



■ THAMES TELEVISION announces that Linda Coe is appointed to the board as company secretary on the retirement of Ben Marr.

■ Philip Jones, md of Central Television Enterprises, has been appointed to the board of Central Independent Television.

■ EAST MIDLANDS ELECTRICITY announces that Keith Jackson has been appointed chairman of its subsidiary, Ambassador Security, and Terry Roffey as md. Manmohan Matharu, EME's financial controller, is appointed a non-executive director. Paul Skuse, former chairman and chief executive, has left the company.

■ John Dunn is promoted to md of ML AVIATION.

■ Justin Kornberg is the new president of LISTER & CO; he has been replaced as chairman by the former deputy chairman, Brian Smith.

■ TAYLOR WOODROW announces the appointments of Keith Fawbert, Jeff Wragg, and Ivan Harris as deputy md, projects director, and engineering director, respectively, of Birtley Engineering.

■ SCOTT announces the promotion of Nigel Thomas to md from consumer business director; he is replaced by Alan Cavers, formerly md of Scott's subsidiary, Cross Paperware. He is replaced in turn by Stephen Booty.

■ MEGGITT AEROSPACE announces the appointment of Stephen Parsons as md of BAJ Ltd.

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

مكتبة الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1991 high	1991 low	Yld Gr's	NAV	Dis or Pm(-)
Sphere Inc		21	—	29	20½	24.9	23.5	12.7
Zero Div Pf		68¾	-½	68½	58¾	—	—	—
Warrants		3½	—	7½	3½	—	—	—
Strata		149	—	154	104	1.2	177.5	16.0
Stratton		148	—	169	120	1.7	179.1	17.3
TR City of Lon		113¾	+1	121¼	90	5.8	111.8	-1.7
TR Euro Growth	s	95	—	104	78	1.4	96.5	1.5
Ptg Sub	s	58	—	56	40	2.4	—	—
TR Far East Inc		83xd	—	94	58	6.7	91.4	9.2
Warrants		17	—	23	12	—	—	—
TR High Inc	H	104	+1	115	85	7.7	98.1	-6.0
Sub	g	33	—	35	24	6.1	—	—
TR Pacific		68	—	82	49	0.8	79.5	14.4
TR Prop		29	+½	37	27½	7.1	38.2	22.6
TR Smaller		143	+1	155	98	3.4	150.0	4.7
TR Technology	s	40	—	52	20	5.8	94.5	57.7
Stepped Pf		91	—	94½	70½	8.1	—	—
Zero Pf		135½	—	136½	117½	—	—	—
Temple Bar	†	261	+4	278	210	6.1	279.6	6.6
9pc 2002		£111½	—	£111½	£102½	8.4	—	—
Temple Em Mkts	88	170	—	173	92	0.6	163.9	-3.7
Warrants		64	—	63	27	—	—	—
1pc Cv 2001		£164½	—	£167½	£90½	0.6	—	—
Thornton Asian		60	—	72	55	1.1	69.2	13.3
Warrants		11	—	18	9	—	—	—
Thornton Pan Euro		27	—	31	25	4.3	30.9	12.7
Warrants		5	—	10	5	—	—	—
Throg Dual Inc		102	—	100	93	11.4	—	—
Cap		343	—	360	280	—	662.4	48.2
Throgmorton		68	+2	64	45½	5.7	69.7	31.2
Warrants		18	—	28	16	—	—	—
Throg USM		105	—	118	81	4.6	127.8	17.8
Warrants		20	—	27	14	—	—	—
Tor Inc		510	—	603	400	18.2	—	—
Cap		685	—	735	565	0.7	1101.8	36.9
Tribune		239	—	238	189	3.3	276.0	13.4
Trust of Prop		54	—	77	40	3.4	80.3	32.8
USDC		182½	+½	189	133	3.7	195.5	22.0

MISCELLANEOUS - Cont.

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

OTHER FINANCIAL

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

GUIDE TO LONDON SHARE SERVICE

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's

Abbey Unit Tst Mngrs (1000)H

Bishopsgate Progressive Mgmt Co (1200)F

Commercial Union Tst Mgrs—Contd.

GA Unit Trust Mngrs Ltd (1000)H

INVESCO MIM UT Mngrs Ltd—Contd.

M & G Securities—Contd.

NFU Mutual Unit Mngrs Ltd (1400)F

Royal Life Fd Mgmt Ltd (1000)F

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	67.96	68.12	72.71	+0.46	5.57
Acumen Reserve	3	66.36	66.36	68.35	+0.09	9.67
American Income	5	122.90	122.90	130.20	-0.44	3.64
Equity Income	5	79.33	79.33	84.66	+0.74	5.82
European	5	51.66	51.66	55.13	-0.47	1.27
Far Eastern	5	104.93	105.00	112.00	+0.30	0.96
Smaller Cos	5	47.58	47.58	50.77	-0.53	2.99
Olympiad	5¼	44.87	44.87	47.88	-0.13	0.74
Olympiad Income	5¼	41.59	41.59	44.38	-0.02	5.73
UK Growth	5	73.29	73.94	78.92	+0.38	1.71

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are availa[illegible] and 36p off peak, inc VAT. To obta[illegible]

FT: lon/Top

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.74	49.74xd	50.23	+0.01	10.6
Cnsrtld Printnes	5½	47.74	48.01	51.21	+0.04	9.39
Ethical	5½	48.17	49.19	52.33	+0.20	4.84
European Growth	5½	45.60	45.64	48.68	-0.34	3.20
Income	5½	45.41	46.07	49.14	+0.26	7.75
Intl Growth	5½	62.05	62.17	66.31	-0.58	3.42
Managed	5½	56.91	56.68	60.46	-0.21	4.69
UK Growth	5½	49.61	50.18	53.53	-0.39	5.80
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	189.4	191.5	197.4	+1.9	3.09
Do Income	3	180.8	182.7	190.3	+1.8	3.09
Standard Life Tst Mngmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5½	34.55	34.55	36.71	...	2.64
UK Equity Gth Acc	5½	46.21	47.10	50.05	+0.2	2.28
UK Eq High Inc Acc	5½	30.25	30.97xd	32.91	+0.2	6.25
UK Eq High Inc Acc	5½	34.01	34.83	37.01	+0.2	6.25
UK Equity Gen Acc	5½	44.37	45.12	47.95	+0.2	3.57
UK Equity Gen Inc	5½	34.72	35.31	37.52	+0.1	3.57
UK Larger Cos Acc F	7½	289.8	294.0	319.0	+1.4	4.77
UK Larger Cos Inc F	7½	233.4	236.6	256.8	+1.1	4.77
Gilt & Fxd Int Inc	5½	27.20	27.16xd	28.73	-0.1	7.80
Euro Lrg Cos Acc F	7½	203.2	207.1	224.8	-0.7	2.25
Nth American Acc	5½	32.12	32.31	34.33	-0.4	0.84
Far East Acc	5½	39.58	40.55	43.09	.....	0.05
European Acc	5½	32.50	34.16	36.30	-0.2	1.65
Stewart Ivory Unit Tst Mngrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American	5	265.8	265.8xd	284.5	-1.4	0.90
(Accum Units)	5	312.8	312.8	334.8	-1.7	0.90
British	5	798.4	808.4	855.3	+7.2	6.06
(Accum Units)	5	1311.7	1328.2	1405.2	+11.8	6.06
European	5	312.9	312.9xd	333.2	+0.4	1.56
(Accum Units)	5	339.1	339.1	361.1	+0.4	1.56
Japan	5	109.4	109.4	116.2	+0.1	-
(Accum Units)	5	110.2	110.2	117.1	+0.1	-
New Pacific	5	167.4	167.4	178.0	+0.8	1.94
(Accum Units)	5	171.9	171.9	182.8	+0.9	1.94
PEP Nov 20	5	142.2	144.2	152.7	.....	3.68
Mngd Equity	5	120.0	121.9	129.0	+0.9	3.53
Mngd Equity Acc	5	127.3	129.3	136.8	+0.9	3.53
Mngd Cash	5	96.51	96.51	99.41	+0.02	10.12

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Nov 14	496.08	499.74xd	--	2.85
Gross Nov 14	185.47	186.97	--	10.43
High Yield Nov 14	291.65	294.17	...	7.48
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	50.97	52.05xd	+0.28	3.91
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1130.0	1219.0	--	-
Mngs Pens (Acc)	64.9	69.2	--	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	.....	6.00
Inc Gth Prp Apr 16	£1325.0	1460.0	-	7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Nov 20	£3979.6	4154.4	—	3.93
European Nov 20	£538.8	545.0	—	2.08
American Nov 20	£330.8	334.1	—	2.43
Japan Nov 20	£477.1	482.7	—	1.35
Pacific Nov 20	£134.5	138.1	—	2.01
W Midlands Sep 30	£147.68	164.90	—	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Oct 31	193.25	197.20	---	7.85
Equity Oct 31	896.05	908.60	---	3.97
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Nov 25	100.78xd		-0.2	10.69
(Accum Units)	394.53		-1.7	10.69
NAACIF Nov 19	41.16xd		.....	9.56
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Nov 26	122.7	131.8	-1.6	2.06
UK Small Co † Nov 26	538.0	590.8	-3.2	3.38
Fixed Interest † Nov 26	107.8	113.3	-1.4	8.82
US Small Co Nov 26	150.3	160.8	-5.5	0.00
Managed Nov 26	105.9	113.3	-1.4	3.48
Intl Bond Nov 26	117.0	123.5	-0.8	10.98

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

6-7 Bedford Row London WC1R 4DJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	104 9	110 5		-
Pension Managed Fd	103 5	109 0		-
Life Deposit Fd	110 8	116 7		-
Pension Deposit Fd	117 6	123 8		-

For National Fin see Target Life

National Mutual Life

The Priory, Priory Pk Hitchin SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	163 9	172 6		-
UK Equity	171 9	181 0		-
Overseas Equity	130 8	137 7		-
Fixed Interest	155 5	163 7		-
Property	129 2	136 0		-
Index Linked	152 6	160 7		-
Deposit	163 7	172 4		-
With Profits (B)	134 2	141 4		-

National Provident Institution

48 Gracechurch St London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	346 9	365 2	+2 7	-
UK Equity	436 3	459 3	+5 6	-
Overseas Eq	330 9	348 4	+1 5	-
American	273 7	288 2	-1 4	-
Far East	355 2	373 9	-0 3	-
Property	193 9	204 2		-
Fixed Int	270 3	284 6	+0 7	-
Indexed Gilt	161 5	170 1	-0 2	-
Deposit	159 0	167 4		-
With Profits	105 1	110 6	-0 1	-
Pension Fund (Accum Units)				

Providence Capital Life Asso. Co Ltd

2 Bartley Way Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	222 0	234 2	+2 9	-
UK Fixed Int Acc	187 5	197 8	+0 2	-
Intl Equities Acc	168 5	177 8	+0 4	-
UK Managed Acc	172 0	181 4	+1 5	-
Property Acc	225 5	237.9		-
Money Acc	133 8	141 2		-
Special Market Acc	143 3	151 2	-0.1	-
Japan Equity Acc	96 5	101 8	-0 2	-
North American Acc	96 2	101 5	+1 9	-
Pacific Acc	92 1	97 2	-0 2	-
Technology Acc	115 6	122 0	-0 4	-
Nat Resources Acc	56 7	59 9	+0 2	-
European Acc	98 0	103 4	+0 7	-
Residential Prop Acc	90 6	95 6		-
Swiss Equities Acc	32 2	34 0	-0 1	-
Hong Kong Acc	68 7	72 5	-0 1	-
UK High Inc Eq Acc	71 6	75 6	+0 8	-
Int Fixed Interest Acc	60 4	63 8	-0 1	-
Int Managed Acc	55 3	58 3	+0 1	-
HIP Managed Acc	115 5	121 8	+0.8	-
HIP Managed II Acc	99 3	104 7	+0 3	-
HIP Managed III Acc	107 4	113 2	+0 4	-
Total Investment Bond				
UK Equity Initial		150 5	+1 9	-
UK Fixed Int Initial		127 4	+0 2	-
Intl Equities Initial		113 5	+0 2	-
UK Managed Initial		116 8	+0 9	-
Property Initial		154 2		-
Money Initial		91 2		-
Special Market Initial		111 0	-0 1	-
Japan Equity Initial		74 7	-0 1	-
North American Initial		74 5	+1 5	-
Pacific Initial		71 2	-0 2	-
Technology Initial		89 4	-0 3	-
Nat Resources Initial		43 9	+0 1	-
European Initial		83 5	+0.5	-
Residential Prop Init		86 3		-
Swiss Equities Initial		30 7	-0 1	-
Hong Kong Initial		65 4	-0 1	-
UK High Inc Eq Init		68 2	+0 7	-
Int Fixed Interest Init		58 3	-0 1	-
Int Managed Init		53 5	+0 1	-
HIP Managed Init		111 9	+0 6	-

Royal Heritage Life Assurance Ltd—Contd.

	Bid Price	Offer Price
Max Growth	189.6	199 6
Gilt	71 5	75.3
Perpetual Funds		
International Growth	109.0	114 8
Income	108.3	114 0
American Growth	128 6	135 4
Intl Emerging Cos	125.2	131 8
Far East Growth	148 5	156 4
European	127 2	133.9
Managed	125 7	132 4
TSB Funds		
Income	110.3	116.2
Managed	135 7	142.9

Royal Life Insurance Ltd

New Hall Place, Liverpool L69 3HS

	Bid Price	Offer Price
Royal Shield Fd	700.6	741.3
Royal Life (Unit Linked Assurances) Ltd		
Managed Fund	282 7	297 5
Equity Fund	388.2	408 6
Property Fund	239 0	251 5
International Fund	308 2	324 4
Gilt Fund	267 9	282.0
Money Fund	193.6	203 7
United States Fund	140 5	147.8
Pacific Basin	184 9	194 6
Royal Life (Unit Lnkd. Pension Fds) Ltd		
Exempt Man Fd Acc	322.5	339.4
Exempt Equity Fd Acc	599 2	630.7
Exempt Prop Fd Acc	241.1	253 7
Exempt Intl Fd Acc	470.2	494 9
Exempt Gilt Fd Acc	303 7	319.6
Exempt Money Fd Acc	254.0	267.3

Royal Liver Assurance

Royal Liver Building, Liverpool, L3 1HT

	Bid Price	Offer Price
UK Equity	60 9	64 1
Global Equity	43.5	45 8
High Yield	52.2	54 9
Intl Equity	55 1	58 0
Fixed Interest	59.8	62.9
Money	67.5	71 0

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

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IRELAND (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down in volatile session

THE CURRENCY markets had a volatile session yesterday, with the dollar shedding early gains and finishing close to the lows of the day after news of a large fall in US consumer confidence in November.

The Conference Board's consumer confidence index dropped to 50.6 in November from 60.1 the previous month. The markets had expected confidence to have held at October's level and the figures dampened hopes that a revival in consumer spending could drag the US economy out of recession.

The dollar fell to just above DM1.58, having traded at just below DM1.60 earlier in the session after Mr Juergen Moellemann, the German economic minister, said he did not think there would need to be a rise in German rates.

However, the dollar's gains only lasted until the release of the consumer confidence figures. The announcement led to speculation that the American economy was deeper in recession than had been previously thought and that the Federal Reserve could soon ease monetary policy.

One inter-bank dealer said that after the consumer confidence figures there was strong buying of dollars, with corporate customers and fund managers believing the US currency may have bottomed out.

Other senior foreign exchange managers, however, reported little interest in buying the dollar and believed it would continue to weaken. It closed lower at DM1.5805 from DM1.5830 but firmer at Y128.15 from Y127.75. But in New York the dollar rose to DM1.6110.

Sterling suffered at the hands of the dollar and D-Mark. The Bank of England bought small amounts of sterling throughout the session but by the close it was still looking vulnerable. It ended easier at DM2.8400 from DM2.8465 and at $1.7970 from $1.7995. In New York it fell to $1.7740.

The effect of the D-Mark's strength continued to ripple throughout the ERM, with the Bank of Italy forced to raise its emergency funding by ¼ point to 12 per cent.

Mr Jonathon Griggs at Barclays Bank said the tightening was also inspired by technical factors, particularly the need to bring emerging funding rates in line with money market rates. The lira rose against the D-Mark, closing at L755.80 from L756.60.

The Portuguese Escudo is yet to join the ERM, but the authorities in Lisbon are attempting to shadow the grid and yesterday the Bank of Portugal was forced to sell D-Marks and buy escudos.

Mr Mark Austin at Hong-Kong Bank in London said the escudo was also being undermined by the recent weakness of the Finnish markka, which had caused some investors to fear that the "more peripheral nations in Europe" will find it politically difficult to shadow the ERM. Spanish peseta weakness has also not helped.

The D-Mark closed at around 89 escudos from 88.50 in the previous session after intervention from the Bank of Portugal at around 89.25.

£ IN NEW YORK

Nov 26	Close	Previous Close
£ Spot	1.7735-1.7745	1.7930-1.7940
1 month	0.89-0.87pm	0.86-0.85pm
3 months	2.46-2.36pm	2.55-2.53pm
12 months	9.00-8.90pm	9.23-9.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 26	Previous
8.30 am	90.6	90.5
9.00 am	90.6	90.5
10.00 am	90.6	90.5
11.00 am	90.7	90.5
Noon	90.7	90.8
1.00 pm	90.6	90.9
2.00 pm	90.5	90.8
3.00 pm	90.6	90.8
4.00 pm	90.5	90.6

CURRENCY MOVEMENTS

Nov 26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.5	-21.5
U.S. Dollar	62.4	-16.9
Canadian Dollar	104.9	+2.4
Austrian Schilling	110.5	+12.4
Belgian Franc	112.2	-1.4
Danish Kroner	109.4	+3.5
D-Mark	119.5	+25.9
Swiss Franc	109.5	+17.5
Dutch Guilder	115.2	+16.9
French Franc	103.6	-12.6
Lira	99.0	-19.8
Yen	140.9	+76.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov 25

CURRENCY RATES

OTHER CURRENCIES

*Official rate. Floating rate £-2520.3 5-1400.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.856	-2.82	5.43	49
Belgian Franc	42.4032	41.9737	-1.01	3.50	43
D-Mark	2.05586	2.03693	-0.92	3.40	50
Dutch Guilder	2.31643	2.29521	-0.92	3.40	39
Irish Punt	0.767417	0.763049	-0.57	3.04	20
Italian Lira	1538.24	1540.03	0.12	2.33	-12
French Franc	6.89509	6.95952	0.93	1.50	-58
Danish Krone	7.84195	7.91868	0.98	1.46	-51
Sterling	0.696904	0.713984	2.45	0.00	-48

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 26	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7870 - 1.7980	1.7965 - 1.7975	0.90-0.88cpm	5.94	2.49-2.46pm	5.51
Canada	2.0300 - 2.0415	2.0395 - 2.0405	0.60-0.52cpm	3.29	1.19-1.08pm	2.23
Netherlands	3.1950 - 3.2200	3.1950 - 3.2050	⅜-¼cpm	1.17	⅞-⅝pm	1.02
Belgium	58.45 - 58.90	58.55 - 58.65	10-3cpm	1.33	20-9pm	0.99
Denmark	11.0400 - 11.0975	11.0500 - 11.0600	1⅛-⅞orepm	1.22	3⅛-2pm	0.93
Ireland	1.0650 - 1.0700	1.0665 - 1.0675	0.01-0.05pdis	-0.34	0.05-0.15dis	-0.37
Germany	2.8375 - 2.8575	2.8375 - 2.8425	⅜-¼pfpm	1.32	⅞-⅝pm	0.97
Portugal	251.50 - 254.50	252.50 - 253.50	4-42cdis	-1.09	67-142dis	-1.65
Spain	181.30 - 182.30	181.60 - 181.90	28-38cdis	-2.18	83-105dis	-2.07

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Nov 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Dutch Guilder	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜
Swiss Franc	8 - 7¾	8 - 7¾	7⅞ - 7¾	8⅛ - 8	8⅛ - 8	8 - 7⅞
D-Mark	9⅛ - 9	9⅛ - 9	9³⁄₁₆ - 9⅛	9½ - 9⅜	9¹⁄₁₆ - 9⅞	9¹⁄₁₆ - 9⅜
French Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Italian Lira	12 - 10	12½ - 12	12⅛ - 11⅞	12⅛ - 11⅞	12 - 11⅞	11⅞ - 11⅝
Belgian Franc	9⅛ - 9⅛	9⅛ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛
Yen	6¼ - 6⅛	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6 - 5⅞	5⅞ - 5⅜
Danish Krone	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Asian $Sing.	3⅞ - 3¾	3⅞ - 3¾	3¾ - 3⅝	3⅞ - 3¾	4 - 3⅞	4⅛ - 4⅛

Long term Eurodollar: two years 5⅛-5⅞ per cent; three years 6⅛-6⅛ per cent; four years 6¾-6½ per cent; five years 7⅛-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Ecu
£	1	1.797	2.840	230.2	9.705	2.520	3.200	2150	2.040	58.60	1.398
$	0.556	1	1.580	128.1	5.401	1.402	1.781	1196	1.135	32.61	0.778
DM	0.352	0.633	1	81.06	3.417	0.887	1.127	757.0	0.718	20.63	0.492
YEN	4.344	7.806	12.34	1000.	42.16	10.95	13.90	9340	8.862	254.6	6.073
F Fr.	1.030	1.852	2.926	237.2	10.	2.597	3.297	2215	2.102	60.38	1.440
S Fr.	0.397	0.713	1.127	91.35	3.851	1	1.270	853.2	0.810	23.25	0.555
N Fl.	0.313	0.562	0.888	71.94	3.033	0.788	1	671.9	0.638	18.31	0.437
Lira	0.465	0.836	1.321	107.1	4.514	1.172	1.488	1000	0.949	27.26	0.650
C $	0.490	0.881	1.392	112.8	4.757	1.235	1.569	1054	1	28.73	0.685
B Fr.	1.706	3.067	4.846	392.8	16.56	4.300	5.461	3669	3.481	100	2.386
Ecu	0.715	1.285	2.031	164.7	6.942	1.803	2.289	1538	1.459	41.92	1

Yen per 1,000: French Fr. per 10. Lira per 1,000. Belgian Fr per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

BASE LENDING RATES

MONEY MARKETS

European rates ease

EUROPEAN money market rates were easier as the threat of a rise in German interest rates began to recede and as talk began to grow that after a surprisingly large fall in US consumer confidence, the Federal Reserve could cut its rates.

The worries that the threat of inflationary pressures in Germany could force a rise in interest rates started to fade after Mr Pierre Beregovoy, the French finance minister, said he saw no reasons for the Bundesbank to raise its rates.

But the main factor causing money market rates to ease was the comments by Mr Juergen Moellemann, the German economic minister, who said that he did not think there would need to be a rise in German rates.

Further hopes of lower world rates came after a large drop in US consumer confidence in November was reported. The dollar came under pressure and the bond market rallied as talk spread round the market that the Federal Reserve might respond to the weakness in the American economy by lowering interest rates.

Most of the movement was reflected in the interest rate futures markets. The December Euro-mark contract rose one point to 90.52; although in the cash market call money was moving higher as banks began to raise their liquidity levels to meet this month's reserve requirements.

In the rest of Europe, French December inter-bank futures rose from their early lows to close unchanged at 90.28; while December Euro-Swiss futures rose 11 points to 91.83.

UK money market rates were little changed as sterling initially recovered from the weakness of the previous session.

The three months inter bank money rate - which closely shadows the bank base rate - fell ⅛ to 10⅝-½ per cent. Money dealers said despite sterling's weakness, they believe that for political reasons interest rates will not be raised.

However, as long as the pound is under pressure dealers do not expect any easing in UK rates. The December short sterling contract rose 5 points to 89.30, but remained below its highs of the day reflecting sterling's late weakness.

The Bank of England forecast a liquidity shortage of £650m and against this it provided £584m of assistance. With the market left slightly short of liquidity, short-dated rates moved were firmer towards the close.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 26) 3 months US dollars: bid 4⅞, offer 5

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,709 Set by DINMUTZ

ACROSS

1 Spleen of male given to girl (6)
4 Stays in Staffs, say (6)
8 Widest part of Tay – sure to be! (7)
9 Most of team fit and sound (7)
11 Poet gives importance to the things we say (10)
12 As seen by doctor, it is grave (4)
13 Key in dreadful mourning-song (5)
14 Offer too little for a lot? (8)
16 Skin eruption to be treated by a house-doctor? (8)
18 Two-wheeled vehicle withdrawn (5)
20 God of noise abatement? (4)
21 But it was not a book-worm in a former state! (4-6)
23 Drive here, a reasonable distance (7)
24 A step up (7)
25 Hemingwey or Sterne, possibly (6)
26 Member in Civil Service gets on socially (6)

DOWN

1 Racing-driver approaching roundabout with speed, notedly (5)
2 Transfer funds, possibly from Arundel (7)
3 Acrobatic turn that impresses the field? (9)
5 Note the arrangement of cogs (5)
6 Heartbroken in credit contract? (7)
7 Tiny moles treated with gravity (9)
10 Hope chest includes last of art by French landscapist (9)
13 Dry out T. Hardy struggling in river (9)
15 Girl's prayer-book in sack (9)
17 Not the kind of shirt for an evening out? (3-4)
19 Five year term for carnality? Strange. (7)
21 Advances from Apollo answered (5)
22 Rules required for a hundred lines (5)

Solution to Puzzle No.7,708

INFORMED ABOARD / DARTS PARSONAGE / NEWGUINEA DREGS / SMACKS TENDING / CONIFER POTASH / LEGAL PORCUPINE / CLOSEDOWN DRAWN / TSETSE PRURIENT

Jel'ino | ilD

WORLD STOCK MARKETS

AUSTRIA

November 26	Sch	+ or −
Austrian Airlines	2,472	+2
Creditanstalt Pf	467	−3
EA General	3,140	−40
EVN	825	+5
Jungbunzlauer	9,870	+20
OeMV	981	+4
Perlmooser Zement	1,420	+5
Radex Heraklith	511	−4
Reininghaus Brau	1,690	....
Steyr Daimler	270	+4
Veitscher Magnesit	379	+3
Verbund (Br) A	502	−1
Wienerberger	4,920	+15
Z-Laenderbank	965	−20

BELGIUM/LUXEMBOURG

November 26	Frs.	+ or −
ACEC-Union Min	2,135	+55
AG Group	1,660	−15
Arbed	3,580	−20
BBL	2,900	....
Bank Intl a Lux	11,000	....
Banq Gen Lux Pts	12,300	....
Barco	1,060	+20
Bekaert	9,300	+120
CBR Ciment	7,290	+90
Cobepa	4,750	−15
Cobepa AFV 1	4,720	−30
Cockerill Priv	155	....
Colruyt	4,130	+10
Delhaize Frs Lion	7,790	+40
Electrabel	4,670	+5
Electrabel AFV	4,600	+50
Electrafina ACT	2,570	−20
Fabrique Nat	51	....
GBL	3,165	+65
GBL AFV 1	3,100	....
GIB Group	1,272	+8
GIB Group AFV	1,226	+6

FRANCE (continued)

November 26	Frs.	+ or −
Bancaire Cie	463.50	+15.50
Beghin-Say	579	−3
Beghin-Sày Cert Inv	468	+9
Bongrain	2,520	−5
Bouygues	561	+17
CGIP	944	+13
C M B Packaging	154.30	+4.30
Canal+	1,094	+18
Cap Gemini S	255.90	+5.90
Carrefour	2,114	+29
Casino	141.80	+6.80
Cetelem	635	+10
Chargeurs	930	+34
Club Mediterranee	418	+3.50
Cogifi	349	+17.80
Coparex	600	....
C C F	159.90	+2.90
Cr Fonc France	912	+3
Cred Lyon (CI)	512	+8
Credit Nationale	985	+9
Damart	2,350	+140
Docks de France	356.50	+2.50
Dollfus Mieg Cie	260.40	−4.60
EBF	740	....
Eaux Cie Genl	2,210	+38
Ecco	337	+6
Elf-Aquitaine	398.20	+0.20
Elf-Aquitaine Certs	266	−3
Essilor Int	323.70	+1.70
Etex	1,720	−20
Eurafrance	1,326	+1
Eurocom	570	−25
Euro Disney	129.40	+0.10
Exor	1,070	−15
Finextel	124	+3
Fonc Lyonnaise	660	−20
From C et Auv	2,230	....
GTM-Entrepose	364	+5.10
Gal. Lafayette	1,475	−40
Gaumont (Soc N)	615	−47
Geophysique	635	....

INDICES

*Saturday November 23: Taiwan Weighted Price 4505.80; Korea Comp Ex. 660.57. *Calculated at 15 00 GMT. a Subject to official recalculation.
Base values of all indices are 100 except BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday, 26 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk	10.1	1,200	+40	Nippon Steel	2.9	388	-2
Okamoto	5.9	1,130	-30	Mitsui Mining	2.7	408	+10
Hitachi	4.6	896	-4	Toyo Tire &	2.6	825	-25
Tobu Railway	3.5	880	+2	Toyo Ink	2.4	752	-30
Sanyo-Kokusaku	3.3	640	+31	Osaka Gas	2.1	586	+16

4:00 pm prices November 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	8¼	AAR Corp	0.48	3.8	16	95	12⅝	12¼	12⅝	
22⅞	14½	A L Labs A	0.16	0.8	22	605	21⅛	20½	20½	-⅛
56¾	40⅞	AMP Inc	1.44	2.6	21	2410	52⅞	50¼	52¼	+2
65⅞	44¼	AMR				113086	60⅞	59⅞	59⅞	+⅛
2⅞	1	ARX			1	30	1⅛	1⅛	1⅛	+⅛
58	41½	ASA x	3.00	6.0	14	1289	50⅞	49¾	49¾	-1¼
61⅞	39⅝	Abbott Lab	1.00	1.7	23	6818	59	57½	58¼	-¼
14⅞	9⅞	Abitibi Pr	0.44	3.3	17	84	13⅛	13⅛	13⅛	
11⅞	10⅜	ACM Gvt In	1.26	11.6		165	11	11	10⅞	-⅛
9⅝	8¾	ACM GvOpp	1.01	10.5		72	9⅝	9½	9⅝	
9½	8⅞	ACM Gvt Sp	1.01	11.1		230	9¼	9⅛	9⅛	-⅛
11	9⅞	ACM Gvt Se x	1.26	12.0		699	10⅝	10⅝	10½	-⅛
9	7⅞	ACM Man	1.01	11.9		493	8⅝	8½	8½	
12⅞	11½	ACM Managd	1.35	11.1		145	12¼	12⅛	12⅛	-⅛
7½	4⅞	Acme Cleve	0.40	6.5	13	36	6⅝	6⅞	6⅝	+⅛
5	3⅞	Acme Elect				3z100	4⅞	4⅞	4⅞	+⅛
40	22⅞	Acuson			21	1574	33¼	30¼	33¼	+2⅞
20⅞	14⅞	Adams Exp x	5.05	28.4	0	117	18¼	17⅞	17⅞	-½
20⅛	17½	Adobe12Pf	2.40	12.7		28	18⅞	18⅞	18⅞	-⅛
9¼	6⅞	Adobe Res			64	34	8⅝	d6½	8½	-⅛
38⅞	18	Ad Micro x				154	37¼	35½	37¼	+¼
14⅞	4⅞	Ad Micro P	3.00	21.2	70	1931	14¼	13⅞	14⅛	+¼
5⅞	2⅞	Advest Grp	0.16	3.8	6	76	4⅞	4¼	4⅞	+⅛
40⅞	31⅞	Aetna Lf x	2.76	7.3	7	2961	38	36⅞	37⅞	+⅛
10⅞	6⅞	Ahl A	0.24	3.0	78	1176	8⅛	8	8⅛	+⅛
20⅞	12	Ahmanson	0.88	6.3	9	4813	14⅛	13⅞	14	
18⅞	2⅞	Aileen Inc			16	80	16¼	15⅞	16⅛	-⅛
74⅞	51⅞	Air Pr Chm x	1.56	2.4	14	1853	65	63⅞	64⅞	-⅛
30	16⅞	Airbse Frt x	0.30	1.5	16	626	21	20½	20½	-¼
22½	12½	Airgas Inc			97	317	20¾	20⅝	20½	-⅛
16¼	10	Airlease	1.85	15.4	7	19	12	11⅞	12	+⅛
100½	88¼	AlaPw8.16 x	8.16	8.2		5	100	99	99	-1
25⅛	21⅞	AlaPwr PfA	2.00	8.0		11	u25⅛	25¼	25⅛	
107	100	AlaPw9.44 x	9.44	8.9		2	105¾	105¾	106	-½
108	102⅞	Alab Pw 11				2	104	104	104	
104	98	Alab Pw 9P x	9.00	8.9		z100	103	103	101	-2

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	8⅞	Brazil Fnd				923	11⅞	11¼	11½	-⅛
30	22⅞	BRE Prop	2.40	8.9	13	70	27	26⅞	26⅞	-⅛
44¼	24⅞	Briggs & S x	1.60	3.9	18	120	41	40⅛	41	+⅛
52⅞	38⅞	Brinkerint			31	673	46⅞	45½	46¼	
87⅞	61¼	Bristol M	2.40	3.2	20	3053	78	74⅛	75⅞	-2⅞
39½	24½	Brit Airwy	2.10	5.5	73	782	38¼	37⅞	38	+⅛
51⅞	39	Brit Gas	2.90	6.8	11	78	44	43¼	43⅞	-⅞
77½	63⅞	BP ADR x	4.11	6.1	19	4034	68¼	66⅛	67	-1⅞
32⅞	28⅞	BP Prudhoe	3.57	12.2	9	475	29⅞	29⅛	29⅞	-⅛
6⅞	3⅞	BP Wts93				1617	3½	d2⅛	2⅞	-½
27⅞	13¼	Brit Steel x	1.70	12.0	8	604	14⅞	14	14⅛	-⅛
74	61¼	Brit Tel x	2.72	4.3	10	695	63¼	62⅞	62⅞	+⅛
18¼	4⅞	Broad Inc x	0.20	1.3	11	3345	14⅞	13⅞	14⅞	+⅛
33	27½	BrklnPfd	2.47	7.6		2	32⅞	32⅞	32¼	
30⅞	27	Brooklyn U	1.90	6.5	13	811	29⅞	28⅞	29⅛	+⅞
84½	69	BrwnForman B	2.24	3.0	14	236	74⅞	73⅛	74⅛	+⅞
28⅞	21⅞	Brown Grp	1.60	6.0	17	284	26⅞	26¼	26⅞	+⅛
12⅞	7¼	Brown&Shrp	0.32	4.5	1	33	7¼	d7⅛	7⅛	-¼
30⅞	16⅞	Browning F	0.68	3.9	41	6112	17¾	17⅛	17½	+⅛
4⅞	2	BRT			0	18	2	d2	2	
18⅞	8⅞	Brunswick	0.44	3.8	37	1675	11⅞	11⅝	11⅝	+⅛
20	12¼	Brush Well	0.72	6.0	24	474	12⅛	d11⅞	12	-½
28¾	23⅞	Buckeye Pt	2.80	9.7	10	53	28⅞	28⅛	28⅞	+⅞
16½	13	Bunker Hill	1.64	10.5	0	34	15⅞	15⅛	15⅞	-⅛
13⅞	10⅛	Burger K I x	1.60	12.9	14	140	12⅞	12⅞	12⅞	-⅞
21⅞	8⅞	Burl Coat			13	176	18⅞	18⅞	18⅞	-⅞
41⅞	28⅛	Burl North x	1.20	3.3	8	2857	36⅛	36⅛	36⅞	+½
49⅞	32⅞	Burlo Resc x	0.70	1.9	28	3036	38	37⅛	37⅛	-⅞
16	11⅛	Burnham Pc	1.36	9.4	40	30	14⅞	14½	14½	-⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Quote	Ch'ge Prev. Close
66	35 3/4	Xerox x	3.00	4.9		852798	61 3/4	60 1/4	61 1/8	+1/4
51 1/4	43 1/4	XeroxLt25 x				14	51	50 7/8	51	+1/8
25 1/4	14 1/8	Xtra 1.94 x				2	23 1/4	23 1/4	22 3/4	
29 3/4	14 1/4	Xtra Corp x	0.72	2.7	89	115	26 7/8	26 1/2	26 7/8	+1/4
27 7/8	21 3/4	Yankee Egy	1.60	6.0	12	41	26 7/8	26 5/8	26 5/8	-1/4
1 1/2	1/2	Zapata			2	786	5/8	d1/2	5/8	+1/16
9 5/8	6 1/4	ZenithElec			2	270	6 5/8	6 3/8	6 1/2	
18 1/2	12	Zenith Nat	1.00	6.7	125	80	15 1/8	15	15	-1/8
6 3/4	4 1/2	Zenix Inc x	0.84	13.4		110	6 1/4	6 1/8	6 1/4	
15 1/4	10 3/4	Zero Corp	0.40	3.7	14	50	11	d10 3/4	10 3/4	-1/8
41 1/4	29 1/2	Zurn Ind x	0.88	2.5	14	417	34 3/4	34 1/2	34 3/4	+1/8
13 1/2	10 1/4	Zweig Fund	1.16	9.2		189	12 3/4	12 1/2	12 5/8	
10 1/2	6 1/2	Zweig Totl	0.96	9.2		402	10 3/8	10 1/4	10 3/8	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices November 26

NASDAQ NATIONAL MARKET

4:00 pm prices November 26

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		28	11610	25 1/4	24 3/4	25 1/4	+1/4
XL Data		31	89	10 1/4	10 1/8	10 1/8	-1/8
Xoma Corp		42	3529	18 1/4	17 1/4	17 3/4	+1/4
Yellow Fr	0.94	85	3140	25 7/8	d25 1/4	25 1/4	-1/8
York Rsch		63	5370	8 5/8	6 3/4	7 5/8	-1/8
ZionsUtah	1.44	9	z100	44 1/4	44	44	

FINANCIAL TIMES

Wednesday November 27 1991

AMERICA

Dow rallies after shrugging off consumer confidence fall

Wall Street

SHARE PRICES finished higher yesterday at the end of a see-saw session, with the stock market displaying surprising resilience in the face of a big fall in US consumer confidence and news of a major restructuring at IBM, *writes Patrick Harverson in New York.*

At the close the Dow was up 14.08 at 2,916.14, having been down almost 30 points in the morning and up over 20 points in the afternoon. The Standard & Poor's 500 followed a similar pattern, ending 2.62 ahead at 377.96, while the Nasdaq composite of over-the-counter stocks rallied late but still ended 0.65 off at 522.23.

Turnover on the New York SE was fairly heavy at 216m shares, and rises outpaced declines by 849 to 788.

Equities traded slightly firmer at the opening, lifted by news of overnight gains in London and Tokyo. Sentiment soon turned, however, after the Conference Board reported that its index of consumer confidence fell from October's 60.1 to 50.6 in November.

In the light of the big fall in the index one month ago and yesterday's large drop in the University of Michigan's own report of consumer confidence, the news threatened to confirm the market's worst fears – that weak consumer confidence will push the economy back into recession. The market recovered, however, after IBM announced that as part of a big cost-cutting programme it will shed an additional 20,000 jobs this year and take a restructuring charge of about $3bn against fourth-quarter earnings.

The restructuring was viewed by the market as good news for the long term, and with the help of lower bond yields, stock prices moved confidently higher. IBM responded well to the company's announcement, the stock adding $2¾ at $97⅞. Dragged higher in its wake were Hewlett-Packard, up $1⅛ at $49⅝, and Digital Equipment, $2¾ firmer at $64⅞.

Merck, which has risen strongly in recent weeks on favourable comments about the company's drug to reduce heart attacks, fell $1¾ to $143⅞ in heavy trading. The decline was sparked by a report that work on a promising Aids drug being developed by Merck has been stopped after patients developed a resistance to the treatment.

Daniel Industries dropped $2⅛ to $10⅝ after a Federal Court issued verdicts amounting to about $10m against the company and some of its senior executives.

Mattel added $1¼ at $28⅝ on expectations that strong toy sales during the Christmas period will result in record 1991 revenue and profits.

Live Entertainment gained $1 to $7¼ after the company said it had repaid the entire balance of $4.7m outstanding under a loan from Manufacturers Hanover, the New York banking group.

Airline issues staged a recovery from recent weakness, with Delta rising $¾ to $58, UAL $1¼ to $124⅞, and AMR, parent of American Airlines, $¼ to $59⅞. The exception was USAir, which lost $¼ to $10⅛.

Canada

TORONTO stocks made a half-hearted recovery late in the day to end mixed after tagging behind the volatile action on Wall Street. The restructuring plan by IBM helped to boost the market from midday lows.

Strength in the bond market, lifted by remarks by German economic minister Mr Juergen Moellemann, raised hopes of further cuts by the Bank of Canada and the US Federal Reserve.

The composite index was finally a modest 4.8 up at 3,448.3, but declines outpaced rises by 328 to 241 after volume of 29.3m shares.

SOUTH AFRICA

JOHANNESBURG gold shares closed lower as the bullion price fell back to $366. The overall share index eased 3 to 3,536, pulled down by a fall in golds of 1.5 per cent or 19 points to 1,255. The industrial index rose 11 to 4,220.

EUROPE

Bank shares in demand as bourses recover

BOURSES REGAINED some of the ground lost on Monday, with demand for financial stocks recovering on several bourses yesterday, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Nov 26

Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1067.92	1068.22	1071.30	1072.63	1072.66	1073.58	1072.85	1071.48

Day's High 1074.37 Day's Low 1067.52

Nov 25	Nov 22	Nov 21	Nov 20	Nov 19
1060.67	1066.84	1071.97	1076.00	1075.11

Base value 1000 (26/10/90)

PARIS rebounded on bargain-hunting, after last week's 6.5 per cent fall. The CAC 40 index gained 25.72 or 1.5 per cent to 1,768.97, although turnover remained subdued after Monday's FFr1.8bn.

Pinault was requoted after the previous day's suspension, rising FFr8.50 or 3.3 per cent to FFr267.50. On Monday the diversified retailing group said it had bought a 40.56 per cent stake in Au Printemps and planned to raise its holding to two-thirds. Analysts said the deal had upset minority shareholders, because the tender offer did not extend to 100 per cent. Au Printemps and Conforama, a unit of Pinault that could be sold to Au Printemps to help finance the deal, remained suspended.

County NatWest said that the purchase of Conforama would dilute Au Printemps' earnings per share in 1992, and recommended that investors tender their shares to the offer and/or sell in the market. It warned that the price could fall to FFr700-FFr750 from Friday's closing price of FFr848.

Speculation that Maus-Nordmann, the troubled Swiss holding company, would sell its stake had lifted the shares from FFr760 in July.

Financial stocks, hit hard last week after the interest rate rise, continued to regain lost ground. Suez, up FFr7.20 on Monday, rose another FFr7.70 to FFr293.50, while Paribas, which gained FFr10.50 on Monday, added FFr9.50 to FFr380. A cut in bank reserve requirements encouraged investors.

FRANKFURT responded to a quiet Monday on Wall Street with some short covering, enhanced by a stable domestic bond market and a modicum of good corporate news.

After a 3.80 rise to 656.65 in the FAZ index at midsession, the DAX accelerated a little to close 13.71 higher at 1,602.87. Banks improved ahead of their results season which starts with Dresdner on Friday, and German stock market turnover rose from DM3.3bn to DM4.5bn.

Utilities were mostly strong, with RWE up DM8 at DM406.50. In chemicals, Bayer's fall of only 4 per cent in nine-month pre-tax profits compared well with the interim reports from BASF and Hoechst, and Bayer shares rose DM3 to DM278.20.

In more speculative territory, Continental jumped DM6 to DM220.20 after better-than-expected nine-month sales, which drew a DM15 earnings per share forecast for 1992 out of B Metzler in Frankfurt. Some engineers and steels were weak, however, Klöckner-Werke shedding DM3.10 to DM110 after IG Metall, the metalworkers' union, staged a warning strike in support of a 10.5 per cent wage increase.

STOCKHOLM rose in spite of the central bank's lifting of the overnight lending rate. The Affärsvärlden General index added 11.2 to 946.3 in turnover of SKr321m, up from SKr263m.

Free B shares in Investor went against the trend and lost SKr10 to SKr110 while Providentia free Bs firmed SKr4.50 to SKr86.5. Both shares had been suspended on Monday ahead of the news that the companies would merge.

AMSTERDAM showed its vulnerability to currency movements yesterday, reflecting the volatility of the dollar. The CBS Tendency index rose to 90.1 before closing at 89.7, up 0.4, in thin turnover of Fl 535.8m.

The dredging sector was firm. Boskalis recovered Fl 1.10 or 5 per cent to Fl 21.70 in a belated reaction to a statement from the company last Friday that a penalty for late delivery of an Indonesian order was no reason to change its profit forecast. The stock had fallen heavily recently on reports of losses related to the order. HBG, recommended as a "buy" this week by James Capel, rose Fl 3 to Fl 190.

ZURICH staged a modest recovery with the Crédit Suisse index up 4.0 to 463.7 and its recent outstanding laggards, Brown Boveri and Adia bearers, up SFr110 to SFr3,320 and SFr13 to SFr448.

MADRID moved higher, as bank stocks recovered from Monday's weakness. The general index recouped 1.45 to 244.19 as turnover eased to about Pta9bn from Pta10.7bn.

Banco Popular, down Pta620 on Monday, rose Pta480 to Pta10,400, while Banco Santander, off Pta175 on Monday, gained Pta65 to Pta4,170.

MILAN continued to take its cue from the insurance and telecom sectors, but the interest was mainly domestic. The Comit index rose 4.07 to 510.87 in turnover estimated at around L60bn after Monday's pathetic L50.3bn.

Generali gained L780 or 2.9 per cent to L27,570 while Ras closed screen-based trading up L510 at L18,810. In telecoms, Sip was up L43 at L1,354.

BRUSSELS saw continued strength in Wagons-Lits, which rose BFr170 or 1.9 per cent to BFr8,970 after a court ruled that Accor of France should give more details on its bid for the travel company.

Bargain-hunting after Monday helped the Bel20 index to recover 10.65 to 1,080.70 in turnover of BFr640m.

OSLO was pushed lower by the troubled finance sector and a gloomy outlook for the Norwegian economy. The all-share index fell 4.5 to 407.78 in trading worth NKr456.6m.

ISTANBUL leapt another 10.3 per cent, a rise of 37 per cent since the formation of a new government a week ago.

ASIA PACIFIC

Arbitrage helps Nikkei to break losing streak

Tokyo

SHARE PRICES found support from arbitrage-related activity yesterday, and the Nikkei index passed back over the psychologically important 23,000 level, *writes Emiko Terazono in Tokyo.*

The 225-issue average finished 243.40 firmer at 23,112.09, its first increase in 10 days. The index had dropped 7.3 per cent or 1,799 points over the previous nine sessions. It opened yesterday at the day's low of 22,395.02 and attained a high for the session of 23,162.93 in the afternoon.

Volume was light but picked up to 200m shares from 170m, with activity dominated by arbitrageurs. Rising issues outnumbered declines by 496 to 419, with 190 stocks unchanged. The Topix index of all first section issues improved 3.04 to 1,753.37 and, later in London, the ISE/Nikkei 50 index gained 5.84 to 1,312.99.

In Tokyo, lower short-term interest rates and the higher yen encouraged a few investors, but traders said sentiment remained weak. Mr Masami Okuma at UBS Phillips & Drew said that only some speculative issues had been in demand and that leading blue chips were losing ground. "There are not many issues that we would recommend to investors," he added.

The sluggish market has prompted some companies to postpone listings. Securities houses said planned listings on the over-the-counter market would be postponed until market conditions turned up. The failure of Sony Music Entertainment's listing last Friday has unnerved companies on the waiting list.

The rise in the yen depressed blue chip high-technology issues. Among those falling to lows for the year were Hitachi, down Y4 at Y896, Fujitsu, Y14 cheaper at Y818, and Sony, which lost Y30 to Y4,400.

The higher yen, however, triggered hopes of lower interest rates, and electric power issues gained ground. Tokyo Electric Power moved up Y10 to Y3,420.

Some speculative issues dropped on rumours that a leading speculative investor had been arrested. Toyo Sanso plunged by its daily limit of Y300 to Y1,220 and Honshu Paper lost Y12 to Y815.

In Osaka, the OSE average closed 42.19 down at 24,793.92 on volume of 76.9m shares. Cross-trading, that is selling and buying back shares to realise profits, dominated activity. Sumitomo Heavy Industries, the most active issue of the day, remained at Y690 and Sharp, which was also heavily traded, was flat at Y1,300.

Roundup

MANY PACIFIC Rim markets failed to maintain their day's highs yesterday.

NEW ZEALAND continued to be interested in Carter Holt Harvey in the wake of last Friday's news that International Paper, of the US, had bought a 16 per cent stake in the company from Brierley Investments. Carter Holt rose another 6 cents to NZ$2.28.

The NZSE-40 index closed 6.64 higher at 1,514.34. Turnover nearly doubled to NZ$31.4m from NZ$19.6m.

AUSTRALIA crept higher, the All Ordinaries index climbing 5.2 to 1,620.2 in turnover of A$233m, up from A$201m. Banks were firm, with Westpac adding 16 cents at A$4.56 after its recent weakness and Commonwealth Bank of Australia rising 4 cents to A$7.57.

HONG KONG shares slipped in light trading, as afternoon profit-taking wiped out early gains. Investors were sidelined ahead of Washington's decision on possible trade sanctions against China.

The Hang Seng index receded 18.64 to 4,202.10 in turnover of HK$1.12bn, down from HK$1.27bn.

Hongkong Land and Wharf Holdings came under selling pressure following their solid gains of last week. Hongkong Land lost 20 cents to HK$9.20 while Wharf declined 10 cents to HK$10.90.

TAIWAN relinquished its early gains. The weighted index edged down 5.00 to 4,529.62 in turnover of T$27.6bn, up from T$22.3bn.

SEOUL fell for the 11th session in a row, the composite index losing 7.06 to 649.32. Turnover expanded to Won132bn from Won117bn.

MANILA closed softer in light trading. The composite index weakened 14.96 to 1,090.07 in turnover of 59.1m pesos.

SINGAPORE moved modestly higher, while KUALA LUMPUR ended mixed in lifeless trade. The Straits Times Industrial index gained 8.58 to 1,449.36 in volume of S$51.9m, after Monday's S$77.6m, while the KLSE composite index softened 0.31 to 537.07 in volume of M$57.9m, compared with M$64.8m.

BANGKOK eased on profit-taking in heavy trading. The SET index dipped 4.39 to 664.57 in turnover of Bt3.27bn. The index had risen 11.89 on Monday on news of further amendments to the draft constitution.

KARACHI achieved a record high on seeing demand for blue chips. The KSE index advanced 25 to 2,884.

Brazil frustrates hopes of over-enthusiastic investors

But better economic news suggests that the recent weakness may be temporary, says Victoria Griffith

JUST A few months ago, the Brazilian stock market was one of the hottest in Latin America. After the Comissão de Valores Mobiliarios, the country's equity market watchdog, cleared the way for foreign investment in the spring, some $551m entered the country.

Conventional wisdom had it that Brazil would mimic the strong performances of countries like Mexico and Chile. "Brazil was riding on the back of the other Latin American markets," says Mr Roger Wright, head of the foreign investment fund at Banco Garantia in São Paulo. "Many investors reasoned, without stopping to make an in-depth analysis, that Brazil would experience the next stock market boom in Latin America."

The overly eager investors were soon disappointed. In September, the privatisation of Usiminas, the steel group, was suspended, after a series of law suits and violent demonstrations challenged the sell-off.

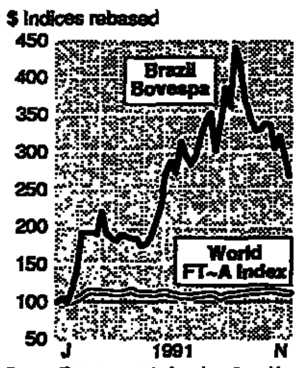
The bad news has been piling up ever since. According to initial estimates, November's inflation will hit at least 27 per cent – its highest under the Collor administration and up from 5.5 per cent in April. Bankruptcies have multiplied as real interest rates have soared to 20 per cent a month from negative interest rates in July and August. Bulging unemployment and shrinking salaries mark the onset of an ever deeper recession.

Since the beginning of November, the São Paulo stock index has fallen 21.5 per cent in dollar terms.

The dollar-adjusted index at midsession yesterday stood at 4,001, up from 3,930 on Monday, which compares with a 1991 high of 6,470 on September 12. Foreign investment has virtually ground to a halt. Daily trading volumes, which had reached a peak of $146m in August, dwindled again to just $14m on Monday this week.

But as stock prices have tumbled, many investors have begun to see better days ahead. "Most of the bad news is already out," reasons Mr Wright of Garantia. "And with the fall in prices, Brazil has once again become the cheapest market in Latin America. It would be very unwise for us to stay out of equities right now."

$ Indices rebased



Source: Datastream & L. American Securities

There has been a positive side to the Brazilian economy over the last two months. Last month, the Usiminas privatisation finally got off the ground: 75 per cent of the shares in the steel group were sold for $1.17bn. Three other privatisations followed, bringing in nearly $100m between them.

Inflation, although high, is showing signs of losing steam. There is very little consumer pressure on prices. In spite of the Christmas season, most shops in São Paulo's shopping centres stand empty. Wages are falling, which is also good news for inflation. And the government is maintaining a tight monetary policy.

The country seems closer than ever to striking a debt deal with the International Monetary Fund. And recent tax reform should help resolve the country's nagging budget deficit problem.

Brazil's problems are too deep to be resolved overnight, but a new sense of realism appears to be taking hold. The government has repeatedly promised that there will be no new economic "shock" plans, and so far it has kept its word. And rather than pushing for higher salaries, many Brazilians are simply cutting down on household expenditure.

An encouraging sign, perhaps, is that, while foreign investors have stopped putting funds into Brazil, they have not been pulling their money out. And in spite of recent losses, the market is still up 165 per cent in dollar terms since the beginning of the year.

In the short run, at least, Brazilian equity prices will probably remain volatile. In the longer term, though, the market anticipates a renewed upsurge. "A lot depends on the mood of the foreign investors," says Mr Alvaro Vidigal, president of the São Paulo stock exchange. "They will continue to be the main engine for price rises.

"I believe they will start coming in again soon; 1992 will be a good year for the Brazilian stock market."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 26 1991								MONDAY NOVEMBER 25 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	152.99	−0.2	126.22	123.93	125.71	128.82	+0.1	4.53	153.23	126.24	123.74	126.11	128.67	160.31	112.74	123.69
Austria (20)	173.06	−0.5	142.78	140.19	142.20	142.56	−0.5	2.01	173.92	143.29	140.45	143.14	143.23	222.37	153.86	197.27
Belgium (47)	135.68	−0.2	111.94	109.90	111.48	109.08	−0.3	5.43	135.93	111.99	109.76	111.87	109.45	151.20	118.04	137.53
Canada (115)	137.26	+0.4	113.25	111.18	112.78	112.86	+0.0	3.30	136.74	112.66	110.41	112.53	112.82	144.28	126.49	125.02
Denmark (37)	258.55	+0.0	213.31	209.44	212.45	216.35	−0.1	1.65	258.52	212.99	208.77	212.76	216.51	270.56	217.74	245.74
Finland (15)	78.54	−0.6	64.80	63.62	64.54	71.17	−0.2	3.42	79.03	65.11	63.82	65.04	71.29	125.15	78.54	104.35
France (109)	144.02	+1.5	118.82	116.65	118.33	121.99	+1.2	3.64	141.95	116.95	114.62	115.81	120.52	152.26	119.11	139.32
Germany (65)	115.14	+0.7	95.00	93.28	94.61	94.81	+0.8	2.44	114.30	94.17	92.31	94.37	94.07	125.35	94.15	116.93
Hong Kong (55)	173.63	−0.4	143.25	140.65	142.67	172.76	−0.4	4.30	174.33	143.63	140.78	143.48	173.46	176.14	119.62	121.90
Ireland (18)	162.45	+1.1	134.02	131.59	133.48	135.76	+1.1	3.69	160.69	132.39	129.77	132.25	134.26	182.46	132.88	153.82
Italy (77)	72.67	+1.2	59.95	58.86	59.71	64.92	+1.1	3.57	71.81	59.16	57.99	59.10	64.21	88.23	64.76	76.41
Japan (474)	135.23	−0.1	111.57	109.54	111.13	109.54	+0.2	0.78	135.38	111.54	109.32	111.43	109.32	146.97	118.23	129.32
Malaysia (68)	206.45	−0.1	170.33	167.23	169.63	217.66	+0.0	2.86	206.58	170.20	166.81	170.01	217.56	247.78	189.18	191.88
Mexico (17)	1313.45	−0.7	1083.64	1063.97	1079.26	4381.42	−0.7	1.17	1323.34	1090.29	1068.64	1089.11	4414.41	1404.63	534.45	568.41
Netherland (31)	147.43	+0.3	121.63	119.43	121.14	119.84	+0.1	4.50	147.06	121.16	118.75	121.03	119.71	148.25	125.70	134.71
New Zealand (14)	49.10	+0.3	40.51	39.78	40.35	45.94	+0.5	6.05	48.94	40.32	39.52	40.28	45.73	54.64	41.18	48.36
Norway (30)	174.80	−1.7	144.22	141.60	143.64	148.23	−1.6	1.74	177.82	146.50	143.60	146.35	150.67	223.24	173.29	217.35
Singapore (38)	207.56	−0.2	171.25	168.14	170.55	158.30	−0.1	2.20	207.88	171.27	167.87	171.08	158.45	213.93	151.63	156.85
South Africa (61)	271.58	−0.2	224.06	219.99	223.15	179.07	−0.2	2.74	271.99	224.09	219.63	223.84	179.34	271.99	173.00	172.27
Spain (53)	148.06	+0.7	122.16	119.94	121.66	113.57	+0.7	4.85	147.02	121.13	118.72	120.99	112.83	171.12	131.51	145.59
Sweden (25)	171.61	+2.0	141.59	139.02	141.02	147.35	+2.0	3.03	168.27	138.63	135.88	138.49	144.42	204.12	146.60	153.11
Switzerland (59)	97.24	+1.7	80.22	78.77	79.91	84.52	+1.3	2.39	95.57	78.74	77.18	78.66	83.45	100.67	82.17	87.70
United Kingdom (239)	177.74	+0.5	146.65	143.97	146.04	146.65	+0.6	5.08	176.87	145.72	142.82	145.55	145.72	187.44	156.27	170.68
USA (526)	153.71	+0.7	126.82	124.52	126.31	153.71	+0.7	3.16	152.63	125.75	123.26	125.62	152.63	161.59	125.95	128.39
Europe (825)	142.20	+0.7	117.32	115.19	116.85	117.79	+0.7	4.09	141.15	116.29	113.98	116.17	116.97	151.52	125.50	138.40
Nordic (107)	176.77	+0.5	145.84	143.19	145.25	144.53	+0.5	2.24	175.81	144.85	141.98	144.69	143.75	200.81	155.55	170.59
Pacific Basin (718)	136.50	−0.1	112.62	110.58	112.17	111.67	+0.2	1.11	136.67	112.60	110.37	112.48	111.48	145.92	117.86	128.52
Euro–Pacific (1543)	139.11	+0.2	114.77	112.68	114.30	114.89	+0.4	2.33	138.79	114.35	112.07	114.22	114.45	147.66	121.29	132.90
North America (641)	152.62	+0.7	125.91	123.64	125.43	150.96	+0.7	3.17	151.57	124.88	122.41	124.76	149.95	160.44	125.91	128.10
Europe Ex. UK (586)	120.84	+0.9	99.70	97.91	99.32	101.19	+0.8	3.36	119.73	98.64	96.70	98.56	100.43	129.80	103.58	118.71
Pacific Ex. Japan (244)	149.05	−0.2	122.97	120.76	122.49	131.47	−0.1	4.13	149.36	123.06	120.63	122.93	131.56	153.19	111.40	118.39
World Ex. US (1736)	141.19	+0.2	116.49	114.38	116.02	116.57	+0.4	2.36	140.88	116.07	113.77	115.95	116.15	148.16	122.32	133.27
World Ex. UK (2023)	141.18	+0.4	116.48	114.37	116.02	126.33	+0.5	2.36	140.64	115.87	113.58	115.76	125.74	146.16	120.06	126.62
World Ex. So. Af. (2201)	143.50	+0.4	118.39	116.25	117.92	127.81	+0.5	2.64	142.93	117.75	115.43	117.54	127.18	148.66	122.92	130.28
World Ex. Japan (1788)	150.58	+0.6	124.23	121.99	123.75	138.55	+0.6	3.53	149.63	123.28	120.84	123.16	137.70	155.59	126.69	132.46
The World Index (2262)	144.36	+0.4	119.10	116.95	118.63	128.27	+0.5	2.64	143.80	118.47	116.12	118.35	127.65	149.37	123.28	130.53